The MAGAZINE of WALL STREET

SCIENTIFIC INVESTMENT FOR EVERYBODY

Vol. Thirteen JANUARY, 1914 No. Three

Which Stock Is Best?

Rails—Steels—Coppers

By Richard D. Wyckoff

Financial and Industrial

Prospects for 1914

By James H Brookmire

The Art of

Interpreting Financial Conditions

by G. C. Selden

The Effect of the New

Tariff on Our Industries

by Haliburton Fales, Jr.

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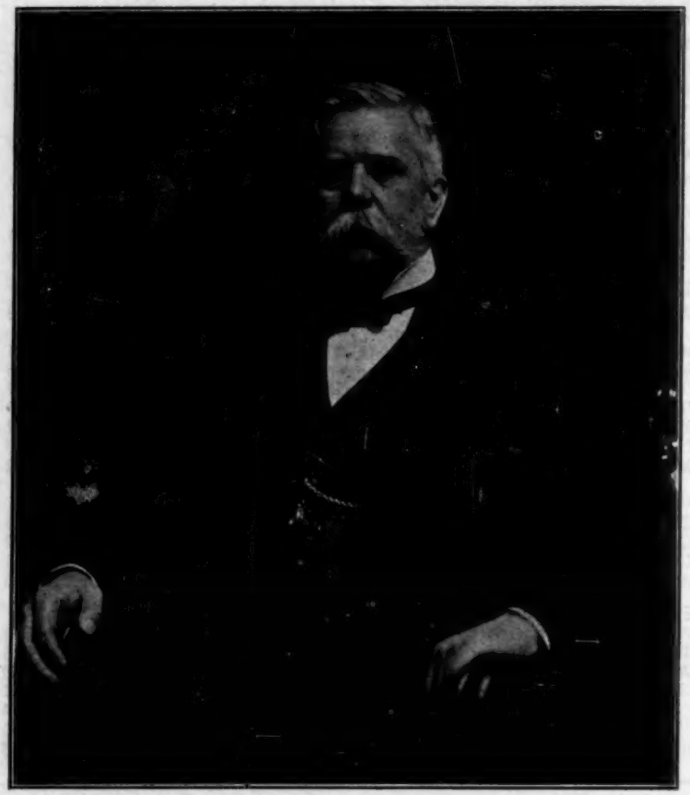


GEORGE WESTINGHOUSE

President of Westinghouse Air Brake Co.

The Grashof medal, the highest honor in the gift of the engineering profession of Germany and the United States, was awarded to George Westinghouse at the annual meeting of the American Society of Mechanical Engineers in New York recently.

THE MAGAZINE OF WALL STREET
(FORMERLY THE TICKER AND INVESTMENT DIGEST)

SCIENTIFIC INVESTMENT FOR EVERYBODY.

Vol. Thirteen JANUARY, 1914 No. Three

Current Financial Opinion

The Up-to-Date Thoughts of Wide-Awake Thinkers

A Chicago Banker Glimpses the Dawn.

IT may be remembered that last June, when the financial situation generally looked at its darkest and few bankers could be induced to commit themselves by predicting early improvement, John J. Mitchell, president of the Illinois Trust & Savings Bank, Chicago, stated his belief that money rates were then at the high point and that the turn was at hand, though firm rates would continue throughout 1913.

His prediction proved remarkably accurate. The stock and bond markets have not again gone as low as they were then, and interest rates have eased off, although the fall months usually bring higher rates.

These facts lend interest to Mr. Mitchell's views as recently expressed. He says that:

He believes the end of the trade depression has been reached, but he expects business to remain slow for some time. Commercial failures are increasing, but not in an unusual number for this season. He believes the situation is intrinsically sound, and that a change for the better will come gradually.

"Unfortunately there is little evidence of economy among the middle classes. The country's automobile bill has been estimated at $900,000,000, but it will not be so much next year. I am told that in one big automobile city 30,000 employes have been let out. The middle classes contribute most of the savings deposits in Chicago downtown banks, and their comparative lack of savings, together with the multiplicity of outlying banks, have held down the level of savings deposits. Most of the country's agricultural sections are prosperous, and general distribution is on a very large scale. Supplies generally are at a very low level, and the business basis seems strong and sound."

* * *

History Will Repeat— But What History?

IT will be noticed that Mr. Mitchell emphasizes the fact that recovery is likely to be slow. A good many of us would like to know—How slow? As slow as in 1908, or as slow as 1894? There is a big difference. After 1893 it took us four years to get fairly on our feet again; after 1907, only about one year. Are we in the slough that has in the past followed twenty years or so of good business, or are we merely experiencing an ordinary period of reaction?

The London *Investor's Chronicle* brings out some of the reasons why trade recovery is likely to be slower than in 1907:

In the past, dear money arising from active trade and excessive new capital creations has checked trade activity and restricted new issues, thus leading to a period

of trade depression and to a revival in demand for securities as funds have been released from commercial uses and profits have become available for investment. Gradually money has cheapened and the cycle has been completed. Do those who anticipate that history will again exactly and automatically repeat itself in this respect realize the extent to which conditions have changed?

Short-term borrowing was started in 1907. It has grown like a snowball ever since. At first it was utilized by companies of the highest standing only, but the example has been followed by many concerns of lesser rank. In 1908 the amount of short-term securities created in the United States was $187,000,000. In the first six months of 1913 the amount was $450,000,000. It will be remembered that considerable surprise was created in many quarters by the rapidity with which the American market recovered from its troubles in 1908-9. This was directly due to postponement of the evil day. The patching up of the difficulties of six years ago, by which the operating of natural laws was arrested, must now operate in preventing the development of financial affairs upon lines which have been usual in the past.

Recent index numbers indicate that the cost of living has declined, but while looking for a prolonged "period of rest and recuperation," I do not expect the cost of living to fall even 10%, and, perhaps, not even 5% in America, from the present level. Foodstuffs will, in fact, probably be higher next winter than ever before. With new issues of securities being offered to yield high rates of income—as they will surely be for the next six months—it is hopeless to expect any decided lowering of money rates or any considerable advance in the price of good bonds and notes.

ANOTHER WEDDING CEREMONY.
—Chicago News.

Troubles of Today And Twenty Years Ago.

YET the investor whose experience runs back to 1893 will quickly recognize the fact that conditions now are entirely different from those of that date. Indeed, it seems clear that the situation in the United States, at least, is far stronger than it was twenty years ago. There are prominent points of similarity, of which tariff revision, currency agitation and a change of the party in power are the ones that most readily come to the mind of the average observer. But in other directions, the situation is now so changed that there are more differences than similarities. As the *Wall Street Journal* says:

There is nothing like a complete parallel. The world-wide depression of the early '90's was due chiefly to two great causes: First, an enormous over-speculation and overdevelopment, especially in railroad building; and second, the continued depreciation in silver, and the ill-advised effort to bolster up its price by legislation. In neither of these respects is the present situation the counterpart of that existing in the '90's. The decade ended with 1890 was one of notorious recklessness in railroad construction and railroad finance. Of railroad construction in the West, in the ten years, a special review in Poor's Manual subsequently said: "In the great struggle that ensued from the rivalry of the Atchison, the Missouri Pacific, the Rock Island, Burlington, and Union Pacific companies, a far greater extent of mileage was added than under ordinary circumstances would have been constructed in a quarter of a century." Overbuilding and overcapitalization were followed by sensational rate cutting, in order to get a share in business too small to go around.

It may safely be asserted that whatever troubles now beset the investment community, they are not fairly comparable with those just outlined. In the United States there has been nothing in railroad construction to cause serious uneasiness. It is with respect to the silver issue that the change from the early '90's is most marked. Where then the United States was forced, by heroic measures, to import gold to maintain its credit, today its stock of the yellow metal is enormous, and exchange is naturally at a gold import point. All of this does not mean that such counter-factors as the Mexican crisis, the drain of the Balkan war, the drastic revision of the American tariff, the drought, the increasing demands of labor on gross earnings, or the trifling with the gold standard principle in the currency bill are fully offset. That is a problem for individual solution.

WE CAN AFFORD TO PLAY A WAITING GAME.
—*Chicago Tribune.*

Now Europe Owes Us Money.

ANOTHER very important difference is found in our foreign trade conditions. From 1890 to 1895 our exports were only slightly above our imports. As we had large interest payments to be made abroad, heavy expenses by American travelers in Europe, payments for freight and passenger charges on traffic in foreign vessels, etc., this left us heavily indebted to Europe each year, and it was not until 1896 that this situation began to right itself by means of a big excess of exports—the normal condition of things.

All this is now very different. There is no reason to suppose that we are now much behind on balance in our foreign trade. Excess exports have been liberal for three years, and as the Fourth National Bank brings out:

> Exports during October broke all records, rising nearly $17,000,000 above 1912, and imports, in spite of the lower tariff duties, were $45,000,000 below October of a year ago. As a result of this the excess of exports over imports in October reached the extraordinary total of $138,000,000. We have, therefore, a total export balance of $545,000,000 for 10 months, which shows an increase of $185,000,000 compared with the figures for the corresponding period a year ago.

These figures point clearly to the fact that the United States enjoys an exceptionally influential position in the international markets. These conditions are the more significant when it is remembered that during the Balkan war of a year ago this market was obliged to take back from Europe some $200,000,000 of American securities. The foreign supplies of our stocks and bonds stand, therefore, at the lowest level known in years. Taking into account the reduced foreign holdings of our securities, and our altogether unusual foreign trade position, there is no doubt but that we will be able to import a large amount of gold from Europe within the next few months should any unexpected stringency develop here.

* * *

Foreign Trade Depression And Our Lower Tariff.

YET it will not do to over emphasize the importance of this big favorable trade balance, for if Europe runs into a period of business depression prices of manufactured goods will decline and, with our reduced tariff, this will enable foreigners to compete in American markets. This condition would soon swell our imports, so that it is quite possible that next year's trade balance may not be as large as this year's—unless, of course, we have a trade depression on this side just as bad as in Europe, so that our own prices come down likewise. Roger W. Babson draws a moral from this situation:

> English manufacturers and merchants have enjoyed four years of prosperity, but, recognizing the fact that a severe trade depression is now in prospect, are investing their surplus funds in gilt-edge securities instead of trying to force business when there is no business to force. Security markets always enjoy a substantial rise in anticipation of the next period of prosperity months before it actually arrives, so that the merchant or manufacturer can sell out his security holdings at a handsome profit in time to use the proceeds of the sale of securities in preparations to take advantage of the first stages of business improvement. We strongly suggest that our mercantile clients consider the advisability of placing a part of their surplus funds in gilt-edge bonds and dividend-paying railroad stocks at the present time instead of trying to force business expansion when depression is in prospect.

* * *

To What Do the Guide-Posts Point?

THIS brings us to the question of our own trade conditions, which are very much complicated by the political factor. Most of the guide posts point to

at least a period of quiet trade; but whether it will be as severe or prolonged as in Europe cannot, of course, be successfully predicted. The real storm center of financial disturbance has been abroad, but we have our own peculiar troubles. As a leading Chicago bank remarks:

There is little doubt that politics will play an immensely important part in the business and financial outlook of the next year. There are already rumors that the Money Trust inquiry is to be reopened, and that further investigations of various kinds will be started. It is probably true that no fixed program has been agreed upon and that no general crusade against moneyed interests will be attempted if the people resent such action. There is little or no speculation in the country today because, among other things, there is little incentive for rich men to venture upon undertakings which may be cut short or ruined altogether by legislation or by an unfriendly attitude on the part of the public authorities toward such enterprises. The average merchant is in a very strong position, but his profits are small because hand-to-mouth buying is costly and does not permit of the handsome earnings which were possible under conditions of large orders and confident buying.

FINE PICKING FOR THIS WINTER.
—*Washington Herald.*

People Are Getting the Blue Devils.

AS a rule the newspapers and business men generally, are wont to look on the bright side of things. In fact, since everybody wants to create a market for his own goods, whatever they may be, he can hardly afford to throw cold water on the enthusiasm of others. But now a great number of persons appear to have given way to discouragement. The public is getting "bearish" on the business outlook. Thus *The Annalist:*

Business is receding, as every one expected. Unemployment is complained of. Railroads are laying off men. Tonnage is diminishing. The steel mills, according to *The Iron Age,* are running at only two-thirds of their maximum capacity and, in particular instances, at only 50 to 60 per cent. One of the New York real estate companies that had been selling equities in the top stories of skyscrapers to small investors has failed. A topheavy condition is thereby disclosed in the real estate market. An eminent authority on industrial conditions thinks the country is facing the worst depression it has ever experienced. Failures are ominously increasing. Merchants are complaining of their inability to obtain credit. Pessimism is widespread. And speculation in Wall Street is discontinued. Transactions on the Stock Exchange in November were fewer than in any month since April, 1897, and transactions for the year to date have been fewer than in any corresponding time in fifteen years.

* * *

The Labor Market Is Badly Hit.

FOR the past four years, whenever Wall Street writers have found difficulty in accounting for the unprecedented dullness in financial circles, they have fallen back upon the perfectly safe assertion—safe for them, at any rate—that what we needed was a "liquidation of labor." Perhaps this euphonious term is used instead of the plain language "cutting down wages," because the laborer is not expected to understand it and consequently will not throw a brick at the writer. At any rate it would seem that some of these writers might now cheer up, for labor seems to be in process of being liquidated. A few scattered items:

Edward Carpenter, manager of the National Employment Exchange of New York, says: "There are more honest, able-

bodied workingmen out of positions now than at any time since 1909. The demand for labor is poorer than at any time since then."

The liquidation of the labor market is now well under way in the middle West. Curtailment in payrolls seems to be the policy adopted by employers generally, with the result that there are more men idle at the moment than there have been at this season in the last five years.

Five of the largest automobile concerns in Detroit—Ford, Cadillac, Studebaker, Chalmers and Lozier, are employing 31,000 men against 22,600 a year ago, largest increase being at Ford factory, where there are 12,000 employees against 8,000 last year.

The United States used to save from $500,000,000 to $750,000,000 a year. The United States now spends for automobiles and automobiling at least $750,000,000 a year. Does this throw any light on the unprecedented lack of demand for investments and the consequent grave shrinkage in the market value of securities?

* * *

How Far Has the Liquidation Proceeded?

THAT we are in a period of business liquidation there can be no doubt. How far has it gone and when may we hope for an improvement? If we are to judge by business failures it would seem that we ought at any rate to be approaching the turn. Says the *Boston News Bureau:*

The prediction is made in New York banking circles that the volume of failures in this country for the current year will in all probability foot up to the largest total for any 12 months since 1908. Barring that year and 1907, both of which were crisis periods, the liabilities of failed concerns will be the greatest in the history of the country. It is estimated that December, 1913, failures will not fall far short of $29,000,000, which would bring the aggregate liabilities up to $288,000,000, or only $8,000,000 under 1908. So long as the present high money rates, slow collections and general credit extension continue there is not likely to be any less rigid scrutiny of credits than now prevails, and for that reason the volume of failures cannot be quickly reduced. The weeding out process will probably continue.

THE INQUEST.
—*Pittsburgh Gazette.*

As to the significance of this rising list of business suspensions there is a widespread difference of banking opinion. As things stand now it is evident that business is steadily receding, while money strain relaxes but slightly. On the other hand, it is a conservative and preponderating view that the growing volume of failures only brings nearer the day of recovery inasmuch as it indicates that the weak spots are being eliminated and that the purging revealed by the increasing sums involved is nearly over. When liquidation is completed the foundation will be laid for a new and more stable prosperity.

* * *

The Optimists Are Not All Dead Yet.

THERE are various mitigating tendencies noticed by observers in different parts of the country, and some leading houses express themselves in an optimistic tone. Here are a few significant comments:

National Bank of Commerce, Detroit: Building and Real Estate operations for October were decidedly light and for the year, to date, in the one hundred and sixty leading cities are below last year. The difference of over 2 million dollars in building operations in New York City accounts, however, for nearly all of the decline and outside of a half dozen cities, the building movement has been larger this year than last year or the year before.

People's National Bank of Pittsburgh: After ten months of almost unprecedented activity in the chief industries of the Pittsburgh district, reaction made its appearance in November, and is still in progress. The depression, however, is more psychological than real, and it is more endurable because of the evidence that basic conditions are sound.

Marshall Field & Co.: Propitious tendencies have developed in the dry goods trade during the closing month of the year. Collections show a 7% increase over those of the same period a year ago. The pre-inventory sale brought a good attendance of

buyers. Conservatism rules in regard to future business. In most lines stocks are well cleaned up throughout the country and retailers are inclined to keep them that way, at least until after the first of the year.

John V. Farwell Company: Monday, the first day of the semi-annual clearance sale of the wholesale dry goods houses, brought in the greatest number of buyers in the history of the company. Shipping facilities are being taxed to the utmost to make deliveries this week.

* * *

The South Is Determined to Remain "Sunny."

IN the South sentiment seems to be cheering up and business men refuse to admit that the worst is yet to come. Robert F. Maddox, vice-president of the American National Bank of Atlanta, is a director of the Seaboard Air Line Railway, is a large cotton and fertilizer factor, and from the various angles which he has on the business situation, he is able to speak with authority on the prosperity of the Southern country. He has this to say in the *Southern Banker:*

It is a most remarkable condition. Prosperity is reflected in every bank transaction in the South. Deposits of the banks of Atlanta are now the highest in their history. Money borrowed by Atlanta's banks to move the cotton crop has nearly been all paid up. I am glad to say that the influences of the tariff, the currency and the Mexican war are having apparently but little effect in the southeast. The benefits of the production of the two large crops of cotton and corn, both of which are now bringing high prices, have brought within the past 90 days a marvelous change in Georgia. From out of the gloom and uncertainty of the summer good collections have brought good cheer, which is now reflected in the bank deposits in every bank in every city of the State.

* * *

Pretty Good for a "Short Crop" Season.

A GOOD deal of emphasis has been laid on our short crops in 1913 as a reason for business depression. But strangely enough the small yield has not prevented us from rolling up the biggest agricultural export record in the history of the country. The New York *Evening Post* comments as follows:

If one takes the figures for 1913 up to October 31, he will find some curious comparisons. The ten-month agricultural exports for the period this year were $57,000,000 ahead of any previous corresponding period. Of cotton, the ten-month exports were never matched, except in 1912 (which handled the enormous crop planted in 1911). In breadstuffs, the period's shipments this year exceed by nine or ten millions any other year since the huge grain export season, 1901.

If it turns out, as Western people say it will, that Kansas and Nebraska, having lost their corn, have subsequently raised enough alfalfa to feed their live stock this coming winter, it would leave an agricultural season of highly varied reminiscences.

* * *

Putting the Screws on the "Conservative Investor."

ONE of the notable features of the present period of low prices for investment securities is that the innocent have suffered with the guilty, the good with the bad. In fact the highest grade bonds have in some cases apparently declined even more than others which might seem to be less desirable.

The reason is that the weakness has been due to world-wide scarcity of capital and not to any local conditions or to any special developments affecting particular classes of securities. The following table showing the decline in government bonds all over the world, is of interest:

THE ARE COMING HIGH.
—*Los Angeles Times.*

	Low Price in 1913.	Highest Price in Ten Years.	P.C. of D'cr'se in Ten Years.
Argentine 5s	99	105	5.7
Austrian 4s, rentes	79	102½	22.9
Brazilian 4½s of 1883	83½	103	19.0
Brazilian 4s of 1889	72½	92¾	21.8
British 2½s, consols	72⅛	93⅝	22.8
Bulgarian 6s	95	106	10.4
Chilean 4½s of 1886	89	100	11.0
Chinese 5s of 1896	97	106¼	8.7
Chinese 4½s of 1898	90¼	105	14.3
Cuban 5s	100	109¼	8.2
Dutch 2½s	63	81¾	22.9
Egyptian unified 4s	95	109½	13.3
French 3s, rentes	82	100	18.0
German Imperial 3s	71	92½	23.2
Greek Monopoly 4s	52	58	10.3
Hungarian 4s, rentes	79	101½	22.1
India 3½s	86½	109	20.6
Japanese 1st 4½s	88⅛	101¾	13.5
Montenegro 5s	82	99½	17.6
Peru 5½, ext. loan	98	102	3.9
Portuguese ext. 3s	61½	72¼	14.9
Prussian 3½s, consols	81	101¾	20.3
Russian 4s of 1894	88	102	13.7
Servian unified 4s	73	93	21.4
Spanish 4s	84	99¾	15.0
U. S. Government 4s	109	139	21.5
Uruguay 3½s	67½	78½	14.0
Venezuela 3s	54	61¾	12.5

* * *

A Staggering List of Future Loans.

THE worst of it is that no relief is in sight from the really sensational increase in the financial needs of foreign governments, to say nothing of state, municipal, railroad and industrial needs in this country. Foreign government loans now being arranged or contemplated, according to recent reports, reach the stupendous aggregate of $1,450,000,000. Something over $600,000,000 of this total is expected to go into railroad construction, largely in Russia and Japan; and as much is being asked for to pay the Balkan war debts and to finance France's military expansion plans. The small remainder is wanted mostly for internal improvements. As the *Wall Street Journal* says:

Practically none of the proceeds of these loans will be used to refund outstanding fixed national obligations. Therefore, if the countries get all they are now looking for, there will be more than a 3% increase in the aggregate of national debts of the world, due simply to these present items. This increase would be nearly twice the average annual advance in national indebtedness for the past ten years, which has carried the total from around $35,000,000,000 in 1902 to approximately $42,000,000,000 at the present time.

THE CURRENCY BILL—AS THE AVERAGE MAN UNDERSTANDS IT.
—*Louisville Courier-Journal.*

The list now being talked of stands as follows, the purpose of the loan being given as closely as it can be concisely defined:

Country	Amount	Purpose
Russia	$500,000,000	For railroad construction.
France	280,000,000	Military Expenses and Morocco.
Turkey	140,000,000	Balkan war expenses.
Japan	100,000,000	Railroad construction.
China	50,000,000	Railroad construction.
China	30,000,000	Internal imp. and finances.
Bulgaria	80,000,000	Balkan war expenses.
Servia	50,000,000	War expenses.
Roumania	45,000,000	War expenses.
Greece	50,000,000	War expenses.
Ecuador	33,000,000	Internal imp. and railroads.
Cuba	30,000,000	Internal improvement.
Guatemala	25,000,000	Readjustment of finances.
Colombia	20,000,000	Internal improvements.
Argentine	16,000,000	Internal improvements.
Total	$1,449,000,000	

Spain contemplates a loan, the size of which has not yet been determined; and undoubtedly there are other countries which will sell securities as soon as conditions are favorable. These will likely offset any reductions that may take place in the above figures.

We Have Been Very Modest.

IN this country, however, the output of new securities for 1913 will not equal 1912. We have succeeded in cutting down our capital applications, although foreign countries have found it practically impossible. Monthly output so far has been as follows:

	1913.	Change from 1912.
January	$198,105,000	—$142,895,000
February	132,362,000	— 185,470,000
March	148,829,000	— 1,621,000
April	164,477,000	— 53,788,000
May	123,140,000	— 81,578,000
June	181,240,000	+ 43,888,000
July	126,237,000	+ 105,842,000
August	94,495,000	— 50,231,000
September	64,946,000	+ 4,308,000
October	197,706,000	+ 13,778,000
November	130,516,000	— 103,602,000
Total	$1,562,053,000	—$451,369,000

* * *

But This Doesn't Mean That We Don't Need Money.

CANADA is another country that has found itself badly in need of money though for different reasons than those effective in Europe. Canada is a little over-extended. It is suffering from growing pains, and to ease them New York has recently had to send up some $14,000,000 gold. We haven't any superabundance of gold to spare either. Byron W. Holt puts it thus:

> In all of the important countries banking conditions are strained. The condition of our national banks, as of October 21, as published on November 20, was far less favorable than was expected. The ratio of reserves to loans (including overdrafts) on October 21, was 14.14, against 14.55, on August 9, and 14.12, on November 26, 1912. These low ratios of 1912 and 1913 are lower than any reached since 1893.
>
> In spite of our greatly extended bank loans our railroads and our municipalities were never so hungry for new capital as now. They would borrow billions if they could do so on half-favorable terms.

* * *

Next, What Effect Will the Currency Bill Have?

THAT the new Currency Bill, when passed, will have an important effect on the industrial situation there can be no doubt. The bill has now been whipped into shape so that the main outlines of the probable legislation appear to be settled, but bankers are not able to agree among themselves just what the results will be. This magazine has presented two important and thoughtful articles on the subject in recent issues and nothing has occurred to change the general conclusions reached in those articles. The chances seem to be that there will be some friction in getting the new system into operation, but that, once set going, it will result in a considerable increase in credit facilities. The editor of the London *Statist* has recently been in this country studying conditions. His paper says:

> One of the great factors to be taken into account in considering the future is the new banking bill before the Senate Committee. The critics of the measure predict that it will tend to create inflation. Time alone will prove whether this criticism is well founded, but it is evident that even if the measure does not create inflation, it will largely increase the power of bankers to make loans, both by reason of the provision it contains for increasing the note circulation, and for rendering a larger part of the existing cash reserves of bankers available for banking loans. Were the measure to give a fresh stimulus to enterprise in the United States, there might be no contraction in the trade of country, and in the earnings of the railways, notwithstanding the reaction in international trade which appears to be inevitable. However, until the measure is finally adopted, its final shape is known and its effect upon banking business becomes apparent, it is not possible to foresee whether its influence will be beneficial to trade, or will create a feeling

WILSON'S WAY OF RIDING A DONKEY.

—*N. Y. Evening Sun.*

of distrust, and will accentuate a trade depression.

As far as it is possible to form an opinion at the present moment, the measure will, at any rate at first, tend to bring about trade recovery by increasing the banking facilities of the country. The financial position of the country is relatively strong, in consequence of the ability of the country to import a large amount of gold whenever the gold is available for import.

* * *

The Possible Effects of Note Inflation.

LONDON banking opinion is apt to be sound on financial matters and it is probably pretty well summarized in the quotation just given. Some London critics, however, are inclined to place still more weight on the possibilities of inflation contained in the new system. Probably the following, from the financial column of the London *Sunday Times,* somewhat overestimates the effects of the proposed note circulation:

As soon as the new Currency Bill is passed a fundamental change will take place in the American Money market. The exact shape which the new Bill will finally take is not yet known, but one thing is certain, it will enormously increase the Note Circulation in the States. Senator Owen, the author of the Owen-Glass Bill, whose object it is to keep the figures down, estimates the increased circulation at $1,000,000,000. This inflation will be produced in three ways. Firstly, the reserve requirements against deposits will be reduced, enabling banks to give more loans with their present resources. Secondly, all the Government money will be deposited with the new banking concerns, thus circulating gold and lawful money and providing the basis for further loans. Thirdly, there will be an issue of new Treasury notes, covered by gold and lawful money only as to the extent of 33 1-3%. The demand for credit known to be available will be found irresistible and the circulation will grow. Probably only slowly at the start, but always at a sufficient pace to keep money cheap and exchanges firm. The Bill will cheapen credit, activate trade, raise prices. It will vitally affect the European money markets, where plethora and robustness will take the place of stringency and neurasthenia.

* * *

Would the Banks Check a Possible Inflation?

AMERICAN bankers, however, emphasize the fact that after all the practical machinery of banking cannot be taken out of the hands of bankers, by

A PUZZLING DOSE.
—*St. Joseph News Press.*

any sort of bill. It will always be possible for the banks to check credit inflation if they want to. Says George M. Reynolds, the Chicago banker:

You would make a mistake to minimize the possibilities of inflation under the terms of the Owen-Glass bill. I find them to be very great. But no matter how much inflation you provide for by law, the lending of credit is in the hands of bankers. If, under the law, reserve requirements were suspended and bankers thought the solvency of banking required 30% reserves, they would keep 30% reserves, in spite of the law, just as in New York, if you will remember, they refused to discontinue holding reserves against Government deposits when a Secretary of the Treasury a few years ago announced that they might omit his deposits from reserve requirements. Do you suppose that in business a man borrows all he can, or that a bank is ever willing to lend a man all he is worth? It is a banker's lookout to keep business on a solvent basis.

* *

Looking a Little Farther Ahead.

THE more distant effects of inflation would be far less cheerful, as noted in the *Evening Sun:*

Admittedly there is a possibility of inflation in the measure, when the system becomes operative, but that may be deferred for a long time. Such inflation would re-

SUGGESTION FOR "GOOD FELLOW" MOVEMENT IN NEW YORK.
—McCutcheon in Chicago Tribune.

sult in an expulsion of gold or in an immediate conversion of our great mass of gold certificates and greenbacks into actual specie. Prudent merchants and bankers could not afford to take the risk of being loaded down with flat money and would doubtless begin gold hoarding, as in the early '90s of the last century. If stocks advance as a result of inflation bonds will decline. If capital issues depreciate severely many corporations would be unable to finance themselves. Constructive investment would collapse in the end and stocks raised high by currency or credit inflation would be the chief sufferers.

* * *

Can the Stock Market "Come Back?"

NEARLY a hundred Stock Exchange houses have retired from business during the last two years and about thirty more will quit January 1. The houses with big private wire systems and expensive quarters have suffered severely. But if misery loves company, it has it in this case, for conditions in Berlin are equally bad and it is reported that several hundred brokers will retire from the London Exchange. But Horace White, with a life-time of financial experience behind him—chairman of Hughes Committee, long the editor of the *Evening Post*, author of perhaps the best book on American banking—says the stock market will "come back":

The situation confronting brokers and Wall Street generally is a reflection of industrial and business conditions. We are witnessing one of the downward sweeps of the pendulum. The direction will change in time. The public will come back into the market, and brokers will again see the record of transactions on the floor equal and probably exceed the figures made at the height of the last period of general public interest in the stock market. There is a scarcity of capital throughout the world. More demands are being made for money than it is possible to supply. The asking and refusing scares both the investor and the business executive. In fact, they are both in danger of getting the impression that conditions are more serious than perhaps is the case.

* * *

A Chastened Hopefulness.

THE best houses are emphasizing the necessity of careful discrimination by investors in selecting their securities. For example, Colton, Fales & Co., in a very thoughtful and well-balanced review of the situation, say:

A continuance of business liquidation appears likely. This will, of course, tend to produce greater ease in the money market, and act as an offset against the return of the treasury money to the government, the greater amounts required this year to finance high-priced staple commodities, refinancing here, and new financing abroad. On the whole, further improvement in the country's banking condition should result.

Having in mind the opposing forces of easier money and poorer earnings, we believe that securities whose interest or dividend rates can safely weather a period of poor business, while their comparatively generous income yield will attract the idle money thrown off by declining business, should be purchased now. There does not appear to be any likelihood of a sustained bull market, however.

Hayden, Stone & Co. comment in a somewhat similar vein:

Money cannot long remain idle. If it cannot be used profitably commercially, it will inevitably drift toward the security market. There is a tendency to criticise this as an artificial use of money. As a matter of fact, it is merely the working out of one of the economic functions of the exchanges, the natural accumulation in the most profitable center of money that is gradually released from business. In this way, as business recedes, streams of money go into a single reservoir and a storage of financial energy is created, whence the force comes, when liquidation has run its course, once more to revivify business and provide means for accomplishing what had not been previously possible when the energy had been too greatly dissipated.

We believe that some such process, in spite of temporary hitches, is going on now, and it is this belief that in spite of accumulated evidence of business reaction, makes us look forward with confidence to the future. Only ill-considered legislation can keep this energy bottled up and useless.

* * *

The Railroads Are Now Saying "Please."

IT goes without saying that granting of permission by the Interstate Commerce Commission to the Eastern roads to increase their rates would help sentiment very decidedly. There seems to be a fair prospect that the increase will be granted, although, of course, definite predictions are idle.

Railway World: Certain developments recently appear to make almost inevitable the granting of the carriers' requests. High operating expenses, the added burdens involved in the recent decision of the Arbitration Board in the Eastern Trainmen's Wage Controversy and a decided shrinkage in net earnings, not to mention a more recent similar tendency in gross, all combine to show that the railroads are facing a crisis in their development, unless relief is granted by which they can replenish their depleted coffers. Many trade organizations and individual shippers throughout the country are coming out strongly in support of the rate increase.

Leslie's Weekly: After a period of prolonged depression, the market is very apt to make a sudden change for the better. It is especially liable to do this, if some unexpected piece of good news is heard. The growing belief that the request of the railroads will be fairly recognized may not be justified by the results and yet it seems incredible that the claims of the railroads, and the uncontroverted facts they present to justify the same, can go unrecognized. I have no hesitation in saying that if they do, we shall have an era of railroad bankruptcies equalling, if not surpassing, that experienced over twenty years ago.

TURNING IT OVER TO UNCLE SAM.
—N. Y. Evening Sun.

* * *

What Is Steel Common Worth?

SOME of the recent attacks on the value of U. S. Steel stock are, of course, merely silly. The big corporation has troubles enough, in all conscience, but on the other hand the actual value behind the stock has been enormously built up in the last dozen years. P. H. Carey, editor of *Poor's Manual,* in a letter to the *Times,* makes the following interesting comparison between Steel and Pennsylvania:

	Steel Common.	Pennsylvania.
Stock outstanding	$508,302,500	$493,880,350
Market price	55	110
SURPLUS FOR DIVIDENDS.		
1901	$34,642,309	$22,194,330
1902	54,586,347	27,321,688
1903	25,012,479	27,506,507
1904	5,047,852	27,990,867
1905	43,365,815	30,102,517
1906	72,908,910	35,674,301
1907	79,345,887	33,575,056
1908	20,809,037	28,207,660
1909	53,854,018	35,159,087
1910	62,187,508	37,775,484
1911	30,080,620	37,318,351
1912	29,020,372	42,153,964
Total	$510,861,154	$384,979,812
Dividends paid	175,342,508	231,348,257
Balance	$335,518,646	$153,631,555
Balance per share on present stock	66	31

PER CENT. EARNED ON STOCK.

	Steel Common.	Pennsylvania.
1901	6.8	10.9
1902	10.7	13.3
1903	4.9	9.2
1904	0.9	9.3
1905	8.5	9.9
1906	14.3	11.6
1907	15.6	10.7
1908	4.0	8.9
1909	10.6	8.7
1910	12.2	9.1
1911	5.9	8.2
1912	5.7	9.2
Average earned per annum	8.3	10.0

The surplus for Steel common each year was actually available for dividends; all prior charges, including depreciation and betterments, interest, sinking funds and preferred dividends, having been deducted from net earnings.

The surplus for Pennsylvania includes payments on account of principal of car trusts, about $3,000,000 per annum.

In other words, Steel has "plowed into" its properties considerably more than the present price of the common stock.

* * *

New Haven Railroad Still a Sore Spot.

IT was a hard blow to New England, that passing of the New Haven dividend. It has caused a great many small investors to consult with themselves and inquire, in the famous language of the Congressman, "Where are we at?" And the situation is still very complicated. The Government is suing to dismember the big corporation. A peaceful adjustment is expected, but at what figure will it adjust the dividend rate? Perhaps the *Journal of Commerce* comes as near answering this question as is possible at this time:

The new point of interest as regards the New Haven situation is whether the road may now be considered to fairly permanently occupy a non-dividend basis. Such, it is understood, was not the intention of the directors. The proposal was rather in the form of a conservation of resources. The dividend had not been earned; that was conceded. But previous dividends had been supplied out of surplus and the one in question could with equal facility have been financed by the same fund. It is not improbable that the directors had in mind the carrying out of a much broader policy. The senior bonds of the New Haven road are legal investments for savings banks in important States of the East. The provision of various laws that accords the securities this valuable advantage is that the road has paid 4 per cent. dividends each year for the past five consecutive years. In the year 1913 the New Haven has already paid 5 per cent. From the standpoint of the investment condition referred to nothing was therefore to be gained by an additional declaration at this time.

The next development will be the judging of the prices paid by the New Haven for competitors, not on the basis of the plans that Mr. Morgan and Mr. Mellen had in mind; such a basis is no longer available. They will now have to be appraised on the basis of the present value of the properties as current investments for the New Haven Railroad. Under such circumstances it is hardly possible that material will not be found for some interpretation of huge scandals by the sensational newspaper press. People are very prone to believe that when directors of a road pay many fold the value of a property that at least some part of the exorbitant price has become so-called "graft." Thus the New Haven Railroad as a disturbing influence in the general financial calculations may hardly be considered to have culminated.

* * *

New England More Cheerful Than Expected.

NEVERTHELESS, business in New England is reported to be now holding its own, which is more than it is doing in the rest of the country. The First National Bank of Boston, after stating that "In New England, after a thorough liquidation earlier in the year, conditions show, if anything, a slight improvement in tone," summarizes the situation as follows:

	% Increase 1913 over 1912.
Automobiles	+20%
Bondhouses	—25
Builders	—10
Clothing	no change
Copper Cos.	+ 9
Cotton Mfrs.	+ 8
Department Stores	+12
Furniture	no change
Groceries	+ 5
Hardware	+ 2
Hotels	+10
Jewelry	no change
Lumber	—10
Office Supplies	+16
Paper Mfrs.	— 2
Publishers	+ 5
Railroads	no change
Shoe Mfrs.	+ 5
Shoe Retailers	+10
Stationers	+10 to 15
Tanners	+ 5 to 15

The bond market remains in the same unsatisfactory condition, and as stagnant as it has been for the past few months. The combination of high time and call money, unsettled conditions generally, trouble and confusion over the handling of coupons under the new Income Tax Law, has carried the level of bond prices to the lowest point it has been, according to our index, since the downward swing started in 1909. There are good students of the bond market who predict that by January 1 we shall see a considerable demand for bonds.

Business and Investments in 1914

An Analytical Review of Foreign and Domestic Prospects

By JAMES H. BROOKMIRE

[The following sane and balanced review of the world-wide conditions now probable for the year 1914 is worthy of the careful consideration of investors. I think it would be difficult to cover the subject more thoroughly in the same space than Mr. Brookmire covers it here.—THE EDITOR.]

IN the April number of the MAGAZINE OF WALL STREET in connection with a discussion of the iron and steel industry I exhibited a chart showing British pig iron prices in relation to the condition of the iron and steel markets and banking resources in this country, and adduced the following interpretation of foreign conditions:

"We are inclined to interpret the recent decline in iron and steel prices in Germany, Holland and Great Britain as harbingers of a general trade reaction now in prospect abroad."

The chart accompanying this article shows a graphic of the Paris stock market and a barometer of the condition of the resources of the Bank of France in addition to British pig iron prices; also graphics of steel orders and the New York stock market and barometers of building permits and banking conditions in the United States. The arguments furnished by the chart are cogent, and of far-reaching implication.

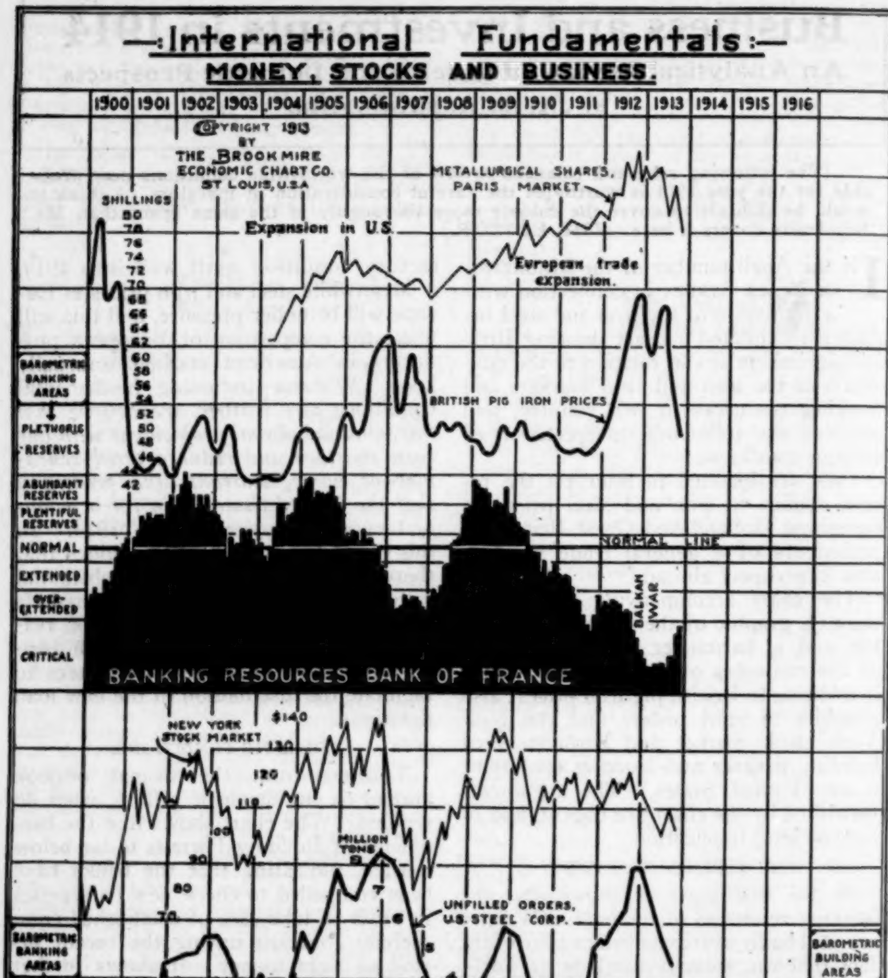
THE FOREIGN SITUATION.

In the first place it shows that the banking resources of the bank of France are still badly overextended in spite of the fact that the security markets of Paris, and the iron and steel markets of Europe, Germany, Austria and Belgium have been pretty thoroughly liquidated; and anyone who is a student of international banking conditions will know that no recovery from business depression abroad will be possible until the banking index of the Bank of France has risen well above normal. And since the Paris banks must dispose of the $275,000,000 French government loan in addition to other government loans variously estimated at between $500,000,000 and $1,000,000,000, the money markets of Europe will not be restored to a satisfactory condition until well into 1914.

Meanwhile steel and iron prices in Europe will be under pressure, and this will make the competition of European producers in American markets unusually keen. Without discussing fundamental conditions any further, *we believe that this situation abroad, coincident with our corn shortage and reduced tariff schedules at home, warrants the prediction that the United States is in for a manufacturing depression during* 1914. In this connection also it may be added that there is little hope of any substantial rally in the European security markets during 1914, although it would be reasonable to expect temporary bullish demonstrations by underwriting bankers to facilitate the distribution of the new loan flotations.

DOMESTIC CONDITIONS.

Turning from the dismal outlook abroad to our domestic affairs, what do we find? The chart shows that the barometer of Building Permits is far below normal, indicating that the banks have been compelled to check new enterprises in order to take care of established commercial concerns during the recent period of tight money. It shows further that steel orders have been declining rapidly during the past few months, indicating that the railroads have been placing orders for new equipment and improvements very sparingly, partly owing to their inability to borrow money except at outrageous terms, and partly because of the prospect of a reduced volume of traffic, as a result of poor crops and dull business. The chart also shows that the stock market has suffered a retty substantial degree of liquidation in anticipation of adverse fundamental conditions, and is now passing through a period of readjustment.



—:International Fundamentals:—
MONEY, STOCKS AND BUSINESS.
1900 1901 1902 1903 1904 1905 1906 1907 1908 1909 1910 1911 1912 1913 1914 1915 1916
COPYRIGHT 1913 BY THE BROOKMIRE ECONOMIC CHART CO. ST LOUIS, U.S.A.
METALLURGICAL SHARES, PARIS MARKET
SHILLINGS
Expansion in U.S.
European trade expansion.
BAROMETRIC BANKING AREAS
PLETHORIC RESERVES
ABUNDANT RESERVES
PLENTIFUL RESERVES
NORMAL
EXTENDED
OVER-EXTENDED
CRITICAL
BRITISH PIG IRON PRICES
NORMAL LINE
BALKAN WAR
BANKING RESOURCES BANK OF FRANCE
NEW YORK STOCK MARKET
$140
MILLION TONS
UNFILLED ORDERS, U.S. STEEL CORP.
BAROMETRIC BUILDING AREAS
HAZARDOUS
FEVERISH-ACTIVE
NORMAL
QUIET
DEPRESSED
PROSTRATE
BANKING CRISIS
BAROMETRIC INDEX OF BUILDING
PANIC
NORMAL LINE
BANKING RESOURCES OF UNITED STATES

THE OUTLOOK.

In looking to the future the three factors which are fundamental in any analysis are—Crops, Money and Politics. At present all three factors are unfavorable. The banking index in the chart, however, is rising steadily, and since money is gradually flowing back to the banks as a result of business liquidation here and abroad, *it seems reasonable tc predict easy money conditions in* 1914 *with great confidence.*

A good deal of nonsense is attending the discussion of the Currency Bill as to its effect upon the money market during the coming year, and hence I will repeat that easy money conditions will transpire in 1914 because of world-wide liquidation, and not because of the Currency Bill; although the ultimate attainment of a sound currency system must be considered a very favorable prospect in view of the inadequacy of our present banking machinery in times of business expansion.

Regarding politics, it is likely that the trend of currency legislation will be a favorable, and the treatment of the railroads at least not an unfavorable influence upon sentiment; the administration's trust policy, however, will probably lend a generally adverse tone to political conditions from the viewpoint of their effect upon investment confidence. The question is, therefore: Will easy money conditions, together with the beneficial influence of currency legislation and the possibility of freight rate increases, be sufficiently favorable to offset the ill effects of crop shortage and trust prosecution?

In the bond market, we expect some improvement upon the basis of easy money conditions alone, and if railroad credit is improved by better treatment at the hands of the Commerce Commission, this tendency in the bond market would be accentuated. The same reasoning would apply to good railroad stocks, and it is probable that certain industrial shares would be carried along with railroad stocks, owing to the fact that the steel and equipment companies depend largely upon the railroads for their business.

It is futile to discuss the matter of freight rates, however, until we see what the Commerce Commission is actually going to do. But regardless of crops and political conditions, the chart shows that whenever there has been a period of liquidation in securities, and the banking index rises from an extended position to the area of abundant reserves, there has always been an elevation of security prices within a year or two following, and this seems reasonable to expect in the present outlook.

Regarding business, two conclusions seem warranted. First, that merchants have been following a hand-to-mouth policy for several years past, so that stocks of goods are low, and mercantile conditions thoroughly sound and ripe for expansion as soon as the commodity markets are adjusted to European competition; but second, that for reasons above stated, 1914 will witness an industrial depression.

During the coming year, however, when money becomes easy, there should be an increase in building permits, and whenever the bankers have accomplished the financing immediately required by the railroads, and find money piling up in their hands, they will then be able to tell the directors of railroads to go ahead and order the new equipment so urgently needed, and plan improvements, so that some increase in steel production might reasonably be expected during the latter part of 1914 or early in 1915.

In this connection also it may be noted that immigration has increased tremendously during the past six months, and this will tend to relieve the labor shortage noticeable in 1912. In 1914, therefore, we shall have those conditions, characteristic of periods of depression, which in themselves are conducive to expansion, viz.: easy money, cheap materials, and an adequate labor supply; all of which argues for an increase in construction work and a recovery in manufacturing in 1915.

The Income Tax Law

What the Average Man Needs to Know About it

By WILLIAM B. DEVOE, of the New York Bar

THE following makes no pretense of being an exhaustive analysis of the new income tax law, for that would require a volume at least the size of this magazine. It is hoped, however, that it may serve as a useful guide to the average individual having a yearly income of $50,000, or less.

The interest of individuals (as distinguished from corporations, etc.) in this law is three-fold. *First,* who and what are taxable? *Second,* who must make returns? *Third,* what must the returns contain and how are they to be made up?

WHO AND WHAT ARE TAXABLE?

ALL citizens of the United States, whether residing at home or abroad, and all foreigners residing in this country must pay a tax of 1 per cent. on all income in excess of $3,000 per year. This is called the normal tax. In the case of married persons living with their husband or wife, $4,000 is exempt instead of $3,000. This exemption may be claimed by either the husband or wife, but not by both. Incomes in excess of $20,000 and under $50,000 are subject to an additional tax of 1 per cent on the amount of such excess, and on incomes over $50,000 the tax is further increased. This additional tax is called the *surtax.* Foreigners living abroad must pay similar taxes on all net income derived from property owned or business carried on in the United States.

For the year 1913 the $3,000 and $4,000 exemptions referred to are respectively $2,500 and $3,333.33. This is because the law did not take effect until March 1, 1913, and therefore covers only five-sixths of that year.

WHO MUST MAKE RETURNS?

THREE classes of persons are not required to make any return of their own income: (a) persons whose gross yearly income is $3,000 (or $4,000 if married, etc.) or less; (b) those whose income is derived wholly from dividends upon the capital stock of corporations or insurance companies. Such persons need not make any return unless their gross income is over $20,000; (c) persons whose income is made up wholly of items the tax on which has been paid at the source, as hereafter described.

In addition to making a return of one's own income, it becomes necessary under certain circumstances to make a return on behalf of other persons. This result from the so-called "deduction at the source" for which the law provides. The duty of deducting the tax at the source of the income devolves upon every person who as lessee or mortgagor of real or personal property, trustee, executor, administrator, agent, receiver or employer has the control, receipt, custody, disposal or payment of *fixed* or *determinable* annual salary, profits or income of another person exceeding $3,000.

In every such case the person having such control or custody or making such payments (who will hereafter be called the payor) must deduct the normal tax of 1 per cent. therefrom and must pay such tax to the Government. He must also make a separate return on behalf of each person from whose income such deduction is made, giving that person's name and address (if known) and showing the amount of income on which the tax has been so deducted.

Every payor who fails to deduct the tax at the source as required by the law is made *personally liable* for the amount of such tax.

There are several features of importance in connection with this "deduction at the source." First, if the payments made by the payor consist of dividends on the capital stock of corporations, or if such payments are indefinite or irregular as to amount or time of accrual, or if they are made to *corporations* and not to individuals, the payor is not required to withhold the tax thereon.

Second, deductions should only commence after $3,000 has actually been paid

out. Thus, if one pays rent or salary of $6,000 per year at the rate of $500 per month, nothing should be withheld from the first six monthly payments. After that, the tax should be deducted not only from the balance, but from the whole $6,000, unless a claim for exemption is made as described below.

Third, this provision of the law did not become effective until November 1, 1913, and therefore in that year deductions should only be made on payments of $3,000 or over which became due and payable between November 1 and December 31.

If a person is the recipient instead of the payor of such payments as have just been discussed, he may file with the payor at least 30 days before March 1 a signed notice in writing claiming his $3,000 or $4,000 exemption (as the case may be) and thereafter no tax shall be withheld by the payor on the amount of such exemption. In such case this notice should be filed with the collector of internal revenue by the payor as a part of the return which he is required to make on behalf of the recipient of the payment.

WHAT RETURNS ARE TO CONTAIN AND HOW THEY ARE TO BE MADE UP.

ALL returns, whether of one's own income or in behalf of another, must be filed with the collector either of the district where the person making the return lives, or where he has his principal place of business, between January 1 and March 1 of each year, and must cover the calendar year ending on December 31 next preceding.

The return (which simply means *report*) must set forth all income received during the preceding calendar year, no matter what its nature or source may be, and must state from what such income is derived. The *gross* profits of a business should be given as the income derived from that business. The value of property left to a person by will, or inherited or given to him, and the proceeds of life insurance policies, are not regarded as income, and need not be included in this statement. Dividends received on the capital stock of corporations need not be included unless the gross income of the person making the return is over $20,000.

Partnerships, as such, do not make returns, but each individual partner must include in his statement of gross income the share of the gross partnership profits to which he is entitled, *whether such profits are actually distributed or not.* Persons receiving fees for professional or other services, as lawyers, physicians, etc., should include all actual receipts for services rendered during the year, and also all unpaid accounts and charges due for that year, if the same are considered good and collectible. Interest which has become due and payable during the year on bonds, notes or other evidences of indebtedness should be included in the gross income whether actually collected or not, unless it is uncollectible.

From this gross income certain deductions are permitted, in addition to the specific exemption of $3,000 (or $4,000, as the case may be). These deductions are as follows:

First, necessary expenses actually paid in carrying on any business or in the management of real estate owned, but not including personal, living or family expenses. This deduction would cover expenses for employees' salaries, agents' commissions, rental, light and heat of place of business, delivery charges, etc., also repairs, operating and maintenance expenses of real estate owned.

Second, interest paid during the year on indebtedness, such as mortgages, notes, etc. This should not include any accumulated or overdue interest which was payable in previous years.

Third, all national, state, county, school and municipal taxes paid within the year, except taxes for local improvements such as laying sewers, street opening or grading, etc.

Fourth, losses actually sustained during the year, either incurred in business or arising from fires, storms or shipwreck, and not covered by insurance or otherwise.

Fifth, debts due which were actually ascertained to be worthless and charged off during the year. No debts may be so regarded until legal proceedings to recover the same have proved fruitless, or it is clearly evident that the debtor is insolvent.

Sixth, a reasonable allowance for the exhaustion, wear and tear of property arising out of its use in any business.

Such allowance is usually called depreciation. No general rule can be given as to the amount thereof, but it must in each case be based upon the experience and best judgment of those engaged in the particular business under consideration.

Seventh, all income the tax on which has been paid or withheld for payment at the source, as previously discussed herein.

Eighth, dividends upon the capital stock of corporations. This deduction can, of course, only be claimed in cases where the dividends have been included in the statement of gross income.

Ninth, interest received upon bonds of the United States, or of a state or any political subdivision thereof (i. e., county, city, township and village bonds, etc.); also salaries of all officers and employees of a state or of any political subdivision thereof, such as counties, cities, towns and villages, but *not* salaries of employees of the federal government itself.

The difference between the aggregate of all the foregoing deductions and the aggregate gross income is the net income which is subject to taxation.

When the return is made up, it should be signed and sworn to before a notary public or other officer qualified to administer an oath, and should then be filed with the proper collector, as above stated. The tax will be levied on or before June 1, and must be paid before June 30 of each year.

By the Way

A MULTIMILLIONAIRE was discussing the situation in a Wall street office, and those about him paid careful attention, for he is close to some of the largest interests in the Street.

"This is the way I think it will work out," said he. "Business will slow down to about sixty per cent. of 1912. That will bring great ease in money and in time a great demand for bonds. The price of bonds will advance. Meanwhile, earnings will fall off and dividends will be cut. Stocks should go down in consequence.

"When this time comes, holders of bonds should sell and put the proceeds into stocks, for the revival of business and restoration of dividends will again bring high prices."

* * *

SEEING Palisade Park 4s quoted on the tape the other day, a trader remarked:

"That reminds me of a joke the boys once tried to play on the manager of the Outside Security Department of a large wire house. One of them went into a booth in the same office and called the manager to the phone with a request for a quotation for 'Riverside Drive preferred.'

"Riverside Drive preferred?" he asked. "What kind of a stock is that?"

"Why you ought to know that stock," was the reply, "it's 4 per cent., guaranteed by the Grant's Tomb Company."

"Oh! Yes, I know now," said the manager. "It's par bid, offered at dam-fool."

* * *

IT is to laugh! A few years ago *Everybody's Magazine* was bent on closing the Stock Exchange, so far as marginal business is concerned.

Now it comes sidling into the market place with a "Financial Department" conveying the impression that it is catering to investors, and hoping thus to extract from Wall Street enough advertisements to pay the salary of a one time mud artist.

American Industry Under the New Tariff

The Changed Status of the Steel Trade Is Typical of Other Lines Also

By Hallburton Fales, Jr.

A PHASE of the tariff situation, which seems to have attracted but little attention, is the fact that we are now, following the reduction in the tariff, linked to the rest of the world, as far as the general movements of business are concerned, to an extent to which we have not heretofore been since we developed into a commercial nation.

Hitherto, we have been comparatively independent of the business activity of the rest of the world. At least, we have enjoyed booms in which Europe did not participate, and frequently Europe has had depressions in which we did not share.

If I may refer to the graphic accompanying Mr. Brookmire's article in this magazine (page 185), it will be noticed that in 1904 the unfilled orders of the United States Steel Corporation commenced to advance very rapidly six months or so before the price of iron in Great Britain moved at all, while 1909-1910 revealed a boom in this country which practically did not exist abroad. Of course, a young and rapidly developing country would naturally tend to forge ahead, and we were, owing to the tariff, able to do so without competition from Europe, and the boom once started, European capital was attracted. The discovery of the great Messabi Ranges, and other ore bodies which commenced producing in 1893 was a great factor of advantage as well, in lowering the cost of the basic raw material.

Compare the iron production of Great Britain and the United States in tons year by year from 1893:

Year.	Gt. Brit.	U. S.
1896	8,563,209	8,623,127
1897	8,796,465	9,652,580
1898	8,631,151	11,773,934
1899	9,305,319	13,620,703
1900	9,959,691	13,789,242
1901	7,928,647	15,878,354
1902	8,679,535	17,821,307
1903	8,935,063	18,009,252
1904	8,562,658	16,497,033
1905	9,592,737	22,992,380
1906	10,149,388	25,307,191
1907	10,115,282	25,781,361
1908	9,289,840	15,936,018
1909	9,664,287	25,795,471
1910	10,216,745	27,298,545
1911	10,250,000	23,750,000

Notice how dissimilar the movements have been. From 1896 to 1904, our annual production moved steadily upward. The small depression of 1898 in England accompanied a setback of only few months in this country and of small amount. The two years' depression in Great Britain found reflection in this country in a break in production which lasted about six months. Our production started upward at the end of 1900, although England's still continued to decline for a whole year more. In 1904 both countries suffered simultaneously, but as previously noted, the improvement began in this country some months in advance of the other. In 1907 our production dropped from October at an annual rate of production of 27,505,900 tons to 14,532,600 tons in January, 1908. In three months our production was almost cut in half. From January on our production again increased, until 1909 witnessed a boom which found no reflection in Europe. The latter part of 1910 and 1911 witnessed a small depression in this country. Meantime Europe was recovering slowly, and did not commence to boom until 1912, at which time we also started up.

Undoubtedly our country has extraordinary recuperative powers, and will unquestionably expand its business and the production of materials, not alone of iron products, which is here used as being typical of the movements of general bus-

iness, in advance of the other industrial nations of the world. It seems, however, that in the future under our present tariff system it would be extremely unlikely that we should continue to have two booms to Europe's one, or that, as in 1905, we should reach in a year a level of production which relatively it took England two years to attain.

The reports of the trade journals and the news that men by thousands have been thrown out of employment in Chicago, New York, and New England offer ample testimony that the depression in business so long predicted in the pages of this magazine has at length arrived. As to how long it will last, or how much further it will go, because of influences from within this country itself, it is difficult to say with any degree of accuracy.

At least this much can be said that in every depression since 1893 the price of iron fell for about a year after the upward turn of production took place, but the upturn in production did not begin until three to six months after the stock market began to rise. The attitude of the administration toward the trusts and in behalf of labor, is, of course, a deterrent factor. On the other hand, the effect of the prospective inflationary currency bill will no doubt tend to raise prices and stimulate production.

In Europe depression in business is already under way, as another glance at Mr. Brookmire's diagram of iron prices and new construction show. Further contraction of business seems as likely to occur there as here. Owing to Argentina's poor wheat crop, the precarious condition of Brazil, caused by the tremendous drop in the price of crude rubber, and the great amounts of cash tied up in her enormous stocks of valorized coffee, the collapse of the silver corner in India and the failure of many native banks, the upheavals in China and Mexico, and the stringency in Russia and Canada, these great countries are likely to be for some time to come a poor market for the finished products of the manufacturing world. The disturbance in the great Asiatic markets and the high price of raw cotton form a combination of circumstances well calculated to produce distress in the textile industries. With a lessened demand from a large part of the world thus clearly foreshadowed, and with the difficulty business in Europe will have in securing cheap capital until after her various government and Balkan loans are financed, the prospects of business expansion in Europe for some time to come are almost *nil*.

The average difference in price between English iron and our own between 1901 and 1910 was in the neighborhood of $6.25, of which $4 was absorbed by the tariff, and the remainder by freight and the value of the convenience of buying in the nearest market. Under the Payne law the tariff on pig iron was reduced to $2.50. It may have been only a coincidence that the boom of 1912 was shortlived in comparison with other booms, and that iron prices rose only $4.10 from the low of 1911 to the high of 1912, or only 31 per cent., whereas a range of 100 per cent. or more had in former times been of frequent occurrence. The duty on finished steel had not been lowered proportionally, and the prices of these products did not suffer in the same proportion.

The Wilson Bill, passed this fall, cut the duty on pig iron to 8 per cent. *ad valorem*, the equivalent of $1 at present prices. Finished steel received similar cuts. Figured at $28 per ton, present duty upon structural steel, beams and girders is now $3.36 per ton, formerly $6.60 to $8.80 per ton. Steel ingots, blooms and billets are now $2.80, formerly about $5.60; rails formerly $6.60, now free.

The point I wish to make is, however, that under the present conditions it is unlikely that industry will start up a boom of consequence in this country, unless Europe is booming herself. As we still retain some protection, and have the advantage of distance and ocean freights on our side as well, the net result will be to flatten out the fluctuations in price and production, and those who have been in the habit of watching iron statistics in this country for signs of coming expansion will also have to keep a weather eye on European prices for iron and steel products.

The Art of
Interpreting Financial Conditions

By G. C. SELDEN

VI.—Iron as an Index to Business Conditions

AS an indication of business conditions nothing could be better than the ratio of demand to supply, if there were any satisfactory way of measuring demand and supply to form a basis for such a ratio.

Improving demand, as compared with supply, would be a certain indication of better business; and falling demand, with stationary or increasing supply, would plainly foretell a reaction in business. This would, in fact, be the most fundamental of all indications.

There is no use in ignoring the difficulty of measuring or even estimating demand and supply. Probably no statistical problem could be more difficult, and some rough approximation would be the best we could possibly hope for. Yet in view of the importance of these two great factors and the deep-reaching character of any conclusions that may be drawn from them, it is well worth our while to investigate and see what is the best that can be done in this direction.

THE IRON MARKET.

The great importance of iron production and prices as a sort of index of general business conditions has long been recognized and has become a tradition even among business men who have no direct connection with that line of trade. The principal reason is that iron is chiefly used in construction; and activity in new construction soon leads to activity in all other lines, just as a cessation of construction will soon bring a recession in other lines.

On this account changes in the demand for and supply of iron are likely to be a little ahead of changes in other lines of general business.

Again, the iron market is the biggest and widest market in regard to which trustworthy and regular information can be promptly obtained. Prices of iron may be known daily without much trouble by those who are enough interested to keep track of them, and iron production is carefully compiled month by month and the figures are given wide publicity.

Another important point is that iron production and prices cannot be successfully manipulated by speculators. The proposition is too big. Iron production is widely distributed and there are a great number of independent manufacturers. Iron can be carried with practically no expense except the interest on its value. The loss on idle furnaces is very small compared with the loss on an idle plant in general lines of manufacturing, and the furnaces can be quickly and easily put into operation again as soon as demand springs up anew.

AN INDEX OF SUPPLY.

For these reasons, as well as others that will readily occur to the experienced business man, the production of iron affords a pretty good index of supply—the term being used to mean the supply of goods being produced for sale in all lines of business.

It should be noted that supply does not necessarily mean over-supply. Supply might increase very rapidly, and yet the demand might grow still faster. Supply means the quantity being produced, not the quantity on hand after demand has been satisfied.

The production of iron can be counted on not to be *behind* the production of other things in rising or falling. In many cases it will be somewhat ahead of most other lines, which is an added advantage in the use of this business as an index to broad general conditions. Iron does not go into final—or "ultimate," to use the phrase currently popular—consumption in the form of the pigs in which it is produced. It is merely a material for further manufacture. Hence changes in the production of iron

will generally precede changes in the production of all those manufactures in which iron is used as material.

I see no better index of supply than the production of iron. Not only that, but it seems to me the only practical and valuable index available.

DEMAND.

When we come to demand we find even more trouble than with supply. The real source of demand lies in the purchasing power of the people, which is something that statistics cannot measure. The best we can do is to select something which in a general way varies in consonance with demand. We cannot find any measure of the *quantity* of demand, hence we fall back on prices, which of course quickly reflect any increase or decrease in demand.

This point probably requires no demonstrating. The only thing that can raise general prices is that the people *want* the goods badly enough to pay more for them than they have been paying. The only thing that can cause prices to fall is that the demand for goods is less, so that sellers have to make concessions in order to effect their sales.

We therefore select the general level of commodity prices, as shown by Bradstreet's Index, to represent demand in the present investigation. (There is at least one other way of estimating demand, which I will take up later.)

The diagram which accompanies this article has been prepared to show the relation between the two factors discussed above, for a period of a dozen years past. Commodity prices and the production of pig iron are reduced to scales that keep them within about the same range on the graphic. On the lower part of the diagram is shown the relation of the two factors reduced to the form of a ratio, and the general channel in which that ratio has fluctuated, aside from panic conditions, is outlined by dotted lines.

It must be borne in mind that since one of these factors is measured in quantities and the other in prices, there can be no "line of growth" in the ratio of one to the other. The general channel followed by this ratio might rise continuously for half a century, or fall continuously for an equal length of time, without having any significance whatever.

But while the general upward or downward slope of the line of the ratio over a long period has no bearing on the matter, the rise and fall of the ratio from year to year gives us some useful information. That is, the upward or downward slope of the channel between the broken lines means nothing; but the swing of the dotted line representing the monthly ratio, back and forth within the channel, has considerable significance.

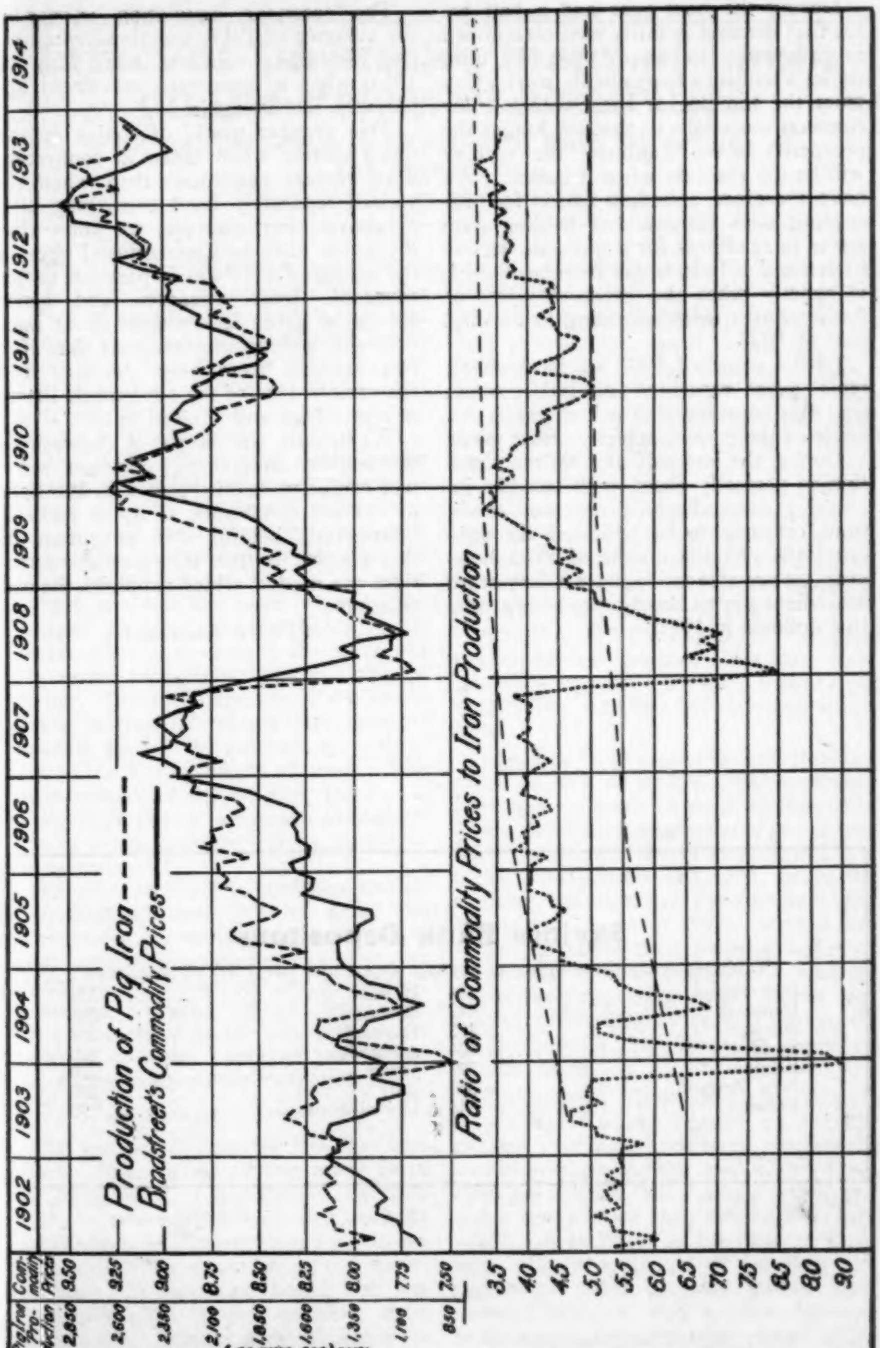
THE GRAPHIC YEAR BY YEAR.

Now if our reasoning is correct, a rise in Commodity Prices and a fall in Iron Production means that demand is increasing in proportion to supply, and predicts better business conditions; while a fall in Prices and a rise in Iron Production means that demand is decreasing in proportion to supply, thus predicting business reaction. That is, when our ratio on the lower part of the diagram is rising, better conditions are indicated, and when it is falling, poorer conditions may be expected. We will therefore refer to the lower dotted line as the ratio of demand to supply—with the understanding, as already explained, that it is necessarily only a rough index.

In the first four months of 1903 this ratio rises sharply. Then for six months it hesitates and begins to decline, warning us that conditions are no longer improving. The very sharp decline accompanying the panic of 1903 foretells a period of dullness in general business; but the equally rapid recovery indicates that the depression will be short-lived.

The dip in the summer of 1904 is recognized as what is usually called the "secondary liquidation," a phenomenon which appears to a more or less marked degree after every panic. Then the steady rise of the line leaves no room for doubt in our minds about the essential soundness of underlying conditions until the middle of 1905.

By July, 1905, we begin to see reason for moderation in assuming any large increase of business risks. By March, 1906, the decline is recovered, but we now note that the line of the ratio rises in a slow and halting manner, instead of tending strongly upward as in 1904 and the first half of 1905. The prosperity wave is still on, but it has ceased to grow.


Production of Pig Iron
Bradstreet's Commodity Prices
Ratio of Commodity Prices to Iron Production
Pig Iron Production
Commodity Prices
tons (000 omitted)
1902
1903
1904
1905
1906
1907
1908
1909
1910
1911
1912
1913
1914

During the next year and a half we see that demand is fairly well maintained in proportion to supply, but the ratio shows a tendency to gradually work away from the top line of the channel. Our common sense tells us that the longer the prosperity wave continues the severer will be the reaction when it comes. We have, therefore, abundant reason for proceeding with caution and holding ourselves in readiness for a probable decline in demand. This, it will be remembered, is exactly what the great majority of business men were *not* doing in the first half of 1907.

In the panic of 1907 we have an almost exact repetition of 1904, except that the recovery was not so rapid, because of the greater severity of the panic.

During the last half of 1908 the situation is perfectly clear, with steadily increasing demand, and prosperous conditions continue to be indicated throughout 1909. By the middle of 1910, however, we are able to diagnose a downward movement pretty clearly, predicting relative dullness in 1911.

The "secondary liquidation" is over by the summer of 1911, and slowly improving conditions continue until May of 1913, when a downward movement apparently sets in again.

This graphic would of course appear much clearer when taken in connection with current conditions than when reviewed separately from everything else, as above. For example, we know that the quick rally in Commodity Prices in the spring of 1911 was in part due to unfavorable crop prospects, and hence should be given less weight as an indication of coming improvement than if it had resulted from other causes. And the same is true of the advance in Prices in April, May and June of 1913.

When once the nature of the ratio is thoroughly understood, common sense will enable us to interpret it in the light of current conditions, so as to make it increasingly helpful. An advantage of this graphic is that no seasonal corrections are needed, which simplifies the calculations.

(To be continued.)

Savings Bank Depositors

Table showing the number of savings depositors per 1,000 of population:

Switzerland	554	Holland	325
Denmark	442	Germany	317
Norway	415	England	302
Sweden	404	Australia	300
Belgium	397	Japan	270
New Zealand	360	Italy	220
France	346	United States	99

Effect of Unemployment of Labor on the Prices of Securities

Why Its Influence Is Exerted in Both Directions at the Same Time

By WILLIAM T. CONNORS

HARDLY a day now passes without bringing announcements in the newspapers of men being laid off here or going on strike there, or of plants being shut down or going on part time schedules. The question of what effect all this will have is a very important one to the investor.

The direct effect—that of reducing the earnings of the companies affected—is plain enough. A plant which is running on half time cannot possibly earn as much on its securities as one that has all the business it can handle. Interest charges continue the same whether the company is doing any business or not. Depreciation is practically the same—in fact, under some circumstances it may be greater. Overhead charges in the shape of the salaries of officers and superintendents cannot be reduced in proportion to the falling off of business. The disintegration of the working force as a result of partial or temporary idleness is also in many cases a serious injury to the company.

But what of the less obvious and farther-reaching effects? What about the reduction of the purchasing power of all those employees whose pay has been discontinued or has been reduced on account of shorter working hours? And what will be the effect on the accumulation of capital, that highly important and necessary factor in the present situation?

PURCHASING POWER

The less people earn the less they can spend. There is no getting away from that proposition. On Saturday night the streets of a manufacturing city, such as Birmingham or Pittsburgh or Lowell, remind you of Broadway during the luncheon hour. It seems as though half the population must be out spending their weekly pay. Every sort of store is crowded with customers and every avenue for spending money finds its share of patrons.

All this stops when the pay stops. At first savings are drawn upon, so that business keeps up on a reduced scale; but as the weeks pass the savings become smaller and the economizing gets more and more stringent. The Saturday night crowds grow fewer and fewer and spend less and less. Here a grocery store goes out of business and there a dry goods merchant fails. It is the stream of gold that turns the wheels of business and when the stream dries up the wheels slow down or stop.

And that isn't the end of it. The people spend less because they earn less; but it is equally true that, taken as a whole, they earn less because they spend less.

The shoe factory goes on half time because of lack of orders. Its employees have less to spend on food, clothes, furniture, hardware, amusements and so on. This cuts down the orders of the factories that prepare the food, make the clothing, manufacture the furniture and hardware. Some of these factories are forced to reduce their working hours or the number of their employees. That reduces the purchasing power of the employees of these factories, and thus starts us on another trip around a new but similar circle.

The jobbers, wholesalers and retailers all do less business because of the decreased purchasing power of the factory workers; their profits suffer and their employees earn less, hence they can spend less, and we start around the circle again. Proprietors in all lines of business, also, are obliged to cut their expenses in order to keep within their reduced incomes, and another decrease in the aggregate purchasing power of the country results.

A REDISTRIBUTION OF WORKERS

In the case of a serious trade depression, the above process goes on until a considerable number of people are driven out of manufacturing and general business lines, into other branches of work where wealth can be produced direct from the earth. The farmer's boy who has been in town at work in a mill, loses his job and goes back home to work on the farm, where his labor helps to increase the production of wealth from the soil.

The miner who is thrown out at the smelter, goes prospecting on his own account and pans out a little gold or in a few instances, perhaps discovers a new mine. The immigrant goes back to his old home abroad, thus reducing the supply of labor here and giving somebody else a chance. The small grocer who has for several years been fighting against excessive competition, finally gives it up and goes up into Canada and takes up new land, where he coaxes a thousand or two bushels of wheat out of the ground. The well-to-do family, instead of going abroad and spending five thousand dollars there, stay at home and spend possibly half of it here.

Some workers have no place to go, or don't know how to apply themselves to any other line of business except the one to which they are accustomed. Many of these may suffer temporary privation. Others pick up the odd jobs left behind by those who have been able to make a change.

All this takes time—and yet not so much time as one might think at first glance, for under modern industrial conditions labor is much more "liquid" than formerly. Travel is not very expensive, with modern facilities, and it is really surprising how quickly and easily the readjustment takes place as compared with the times when each man must know the whole of his particular trade, and when a journey of a hundred miles was the event of a lifetime.

It is usual to speak of such a period of redistribution, as one of "saving" and "economizing." It is that, certainly, but economizing alone would never cure the trouble; for as we have just seen, every person that economizes by spending less than formerly, indirectly lessens the income of others who have been making or working upon the numerous things which that person formerly bought. Economizing alone would finally bring all industry to a complete standstill.

It is the redistribution of workers into occupations where wealth is produced by more direct action upon the resources of Nature, that finally checks the downward movement. New wealth from the soil, the mines and the forests, produced by new labor turned back from the cities, the stores and the factories, acts as a tonic upon the emaciated body politic.

In the case of only a moderate reaction in business conditions it is not necessary that any actual return flow of labor should occur from the manufacturing to the extractive industries. The normal flow of population is from the farm and the forest to the city, from the fields of Europe to the factories of America. Often the mere checking of this flow will enable business to right itself, without any actual return movement.

But the essential thing is that, directly or indirectly, more of us must devote our efforts to getting wealth straight from old Mother Earth, and fewer of us to getting wealth out of each other.

EFFECT ON SECURITIES

The effect of the above process—often euphoniously termed the "liquidation of labor"—on the prices of securities is complicated by the fact that those prices depend on two main factors, (1) the rate of interest of capital, and (2) the business prosperity of the corporations that issue the securities.

If the second were the only factor, then obviously dullness of business would always mean lower prices for securities. But a stock which is sure of paying its dividends even in times of dull business, if it is worth 100 in a permanent 6 per cent. money market, is worth 150 in a permanent 4 per cent. money market. And dullness of business always lowers the money rate, because less capital is required to handle the smaller quantity of business moving.

The result is that business depression has the effect of raising the prices of securities on which dividends or interest payments are absolutely secure re-

gardless of business conditions, and of lowering the prices of stocks or bonds on which dividends or interest can be only partly earned, or may be entirely suspended, in case of prolonged business dullness.

Many high-grade bonds clearly occupy the first position. Many low-grade stocks may be certainly classified in the second position. But the great mass of security issues, of course, is in an intermediate position, favorably affected by lower interest rates and also unfavorably influenced by dullness of business. So a period of unemployment and depression brings its special opportunities to the investor, but also enforces the necessity of unusual discrimination in the selection of securities that are in a strong position.

A Broad View of American Transportation

Railroads, Waterways, Motor Trucks and Pneumatic Tubes—What the Future May Hold in Store

IN a recent issue of the *Times Annalist* Carl Snyder, the well-known author of "American Railways as Investments," presents a somewhat notable review of the general transportation situation in the United States. Mr. Snyder rarely fails to consider any subject from a broad-gauge viewpoint and with keen insight into the various factors involved. We therefore summarize his most important conclusions.

He begins by calling attention to the fact that in ten years the territory east of the Mississippi and north of the Potomac has added only 17% to its population, or about the same rate as in Europe, and only 6½% to its mileage of new main railway tracks, although business and wealth have grown in much greater proportion. Moreover, during the ten years mileage for the whole country has increased less than 20% per cent., and in the last three years new construction has been trifling.

"The reason for this is very simple. The United States has nearly half the railway mileage of the world. So rapid has been this development that on the average there is not in the United States a point of habitable land distant more than five miles from a railroad. In other words, if you ruled a map of the United States in parallel lines to represent the total mileage, these lines would be only ten miles apart. There is little new construction for the simple reason that in spite of the amazing industrial growth of the country, new lines do not pay. We have reached the stage where future development will be intensive rather than extensive—double-tracking and heavy railing and larger terminals to accommodate the increasing traffic on existing lines.

"This introduces the first of the present-day difficulties of railways. It is easy enough to double track a line and vastly increase its traffic; but it is of little use to do this without adequate terminal facilities. And the simple fact is that so rapid has been the rise in land values, these new terminals do not pay. To gain a better entrance into New York, the Pennsylvania has spent above a hundred millions of new capital. To meet the increased competition from this quarter the New York Central has had to spend above $70,000,000. In Washington, in Kansas City—all over the country—are new terminals with proportionate cost. All this is merely to accommodate the increased passenger traffic. This traffic is there anyway, so that these new terminals do not add anything to the revenues of the railroad. They are simply a fixed charge, and it is improbable that the larger of them will earn anything like a fair rate upon the invested

capital for a number of years to come.

"The demand for better freighting facilities in the cities is incessant. In Boston the Truck Companys' Association made an examination and reported that its men wasted an average of three hours per day for lack of access to the freight yards. This is three-eighths of an average of the present working day.

"In some quarters even double and triple tracking has reached its limits. To provide a relief line from west of Philadelphia to New York tidewater, the Pennsylvania estimated a cost of $250,000 per mile. There could be no immediate profit in such an investment.

"It is abundantly evident that in the last ten years increased cost of operation has rather more than eaten up all the gain from longer hauls, heavier equipment, and improved methods of handling."

The roads are now asking a 5% increase in rates; but, inquires Mr. Snyder, would this result in a corresponding increase in income? He estimates the total transportation bill of the country, including railroads, trucking, express, deliveries, etc., at well over $3,000,000,000, more than $30 per capita, or $150 for the average family. This is at least one-sixth of the average family income. Even a 5% increase in railroad rates would be appreciably felt in the form of increased cost of living, and would thus operate to diminish the traffic.

Again, present rates are partly based on the necessity of meeting water competition. If the rates are raised, water competition will increase, especially in view of the opening of the Panama Canal. This also would result in taking some of their present business away from the roads.

Another feature is the steady decline in grain and meat shipments to Europe, in comparison with our population and railway facilities. The roads have made their best profits on long haul traffic, and it is precisely this traffic that is affected by the relative decline in exports of food stuffs. Higher rates on this business would tend to restrict its movement still further.

When it comes to higher local freight rates, competition is already being met from an unexpected quarter:

"That is the motor truck and eventually the truck train. In England both the truck and the truck train are already familiar sights on almost all the country roads. But even here the use of the motor truck is expanding very fast, production doubling year by year. The figures prepared by the Commercial Vehicle Committee show the output in the United States as follows:

Previous to 1911	13,000	(total).
1911	13,000	"
1912	24,000	"
1913	56,000	(est.)

"There are now 170 factories producing trucks in the United States and their average cost is about $2,000.

"They are not cheap to run. Curiously enough, the largest single item is tires. The cost for tires alone on, say, five-ton trucks is estimated as high as 6 cents per mile, where the gasoline used costs only half this at 17 cents the gallon; and there has been a heavy slump in the price of rubber at that.

"It is scarcely possible that these high costs will continue. Some cheap resilient substitute for rubber will be found, for the truck tires do not need to be pneumatic. Furthermore, motors using heavy, low grade oils will certainly come in, so that there is every outlook for a great development in this field. Nevertheless with one company in London 1,500 motor buses have already displaced 2,000 horse-drawn buses for which 18,000 horses were required. These buses now carry nearly as many passengers per day as the subways in New York.

"Here the first regular interurban truck service to be established is that between Boston and Providence. This is about sixty miles and is about the present range of profitable operation. For example, there would be an enormous traffic between New York and Philadelphia, which is only ninety miles; but, while there is a great deal of private trucking done between the two cities, there has as yet been no proposal for a regular public service.

"In many lines where the freight bill is a considerable item, as it is, for example, to the brewer, there has been a notable development of trucking. Most of the breweries have their own truck service, operated through a radius of

sixty or seventy miles. Silks from Paterson are delivered in New York by truck, and the express companies are rapidly expanding the length of their truck deliveries. Though the service is not cheap, it is quick, it avoids the delays incident to congested terminals and is, of course, very much more reliable as to time of delivery."

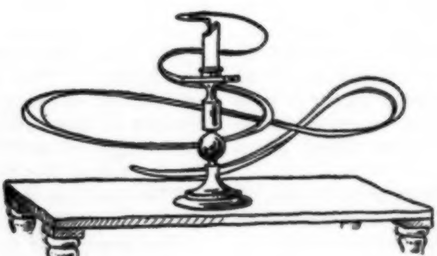
Hence, argues Mr. Snyder, in raising their rates the railroads will have to meet natural obstacles as well as the opposition of public sentiment or of the Interstate Commerce Commission. Many rates are undoubtedly too low, especially on the long hauls, and have helped to produce an injurious industrial concentration; but a horizontal increase of 5% in rates would result in a considerable diversion of business.

"There ought to be, and there will soon come, a revision of the whole transportation scheme, which will work toward a harmonious and coherent utilization of all available means of carriage—rail, water and motor truck, allotting to each its share of the traffic according as it may perform the best service with respect to cost and speed.

"We may develop a style of motor truck which will be run on to flat cars hauled by rail for long distances and thence start on the distributing trips. This will probably soon come in the combination of truck and water distribution, the trucks being loaded during the day, put on to a boat and shipped by night to various points, and then deliver their load the next day to inland points.

"Then there are large possibilities in the proposed automatic parcel and freight service. This is merely an enlargement of the parcel carriers and similar devices in the big department stores and many factories. For mail and parcel service it would mean a skeleton tube of about three feet in diameter through which would shoot a lot of small trucks like shuttles. A tube across the continent could, of course, have shunting stations at all important points along the route, and the shunting of the cars would be automatic—merely setting a little trigger, which would be caught at Cleveland or Omaha, as the shuttle car made the contact.

"Already two companies have been organized to build such an automatic service, one of which proposes tubes up to five feet in diameter. But this service ought not to be independent, for it would be dear. It should be accessory to the existing railroads because they already have the right of way, the terminals, the organization, and the tubes could be built by them at low cost."



BOND DEPARTMENT

What Kind of Bond Shall I Buy?

Some Fundamental Considerations Pertinent to This Timely Question

By FREDERICK LOWNHAUPT, Author of "Investment Bonds," Etc.

IF it be time to buy bonds, and there are many good reasons to believe that it is, the question arises instantly as to whether it is time to buy any type of bond. The question of the grade of the security is apart from this, since in nearly every class of bonds, there are very poor and very good ones, with many shades in between.

Now that security prices all around are down quite low, investors are asking first, Shall I buy? and secondly, What shall I buy? Especially is this going on in reference to stocks. There is more scrutiny of the fundamental factors underlying share investments now than for some time. People are asking what basic facts are working for and against any particular branch of industry, company or class of securities. From the fact that stocks share only in the profits of any concern it is natural that the inquiry should be centered about this question. If any particular industry is destined for a period of decline or improvement, as indicated by fundamental factors, wise investors want to let those securities alone at least for a while, or buy them for a long pull.

At first glance it might seem as though interrogations along this line should be applied only to stocks because fluctuating profits bear so directly on stocks in the matter of dividends. Bonds, it might be held, are a charge against net earnings for the payment of their interest and that the general stability of the company rather than the amount of final profits is the criterion for final judgment of the position of the bond indebtedness of a concern.

This is all true, but the matter goes further. It should be remembered that there is a reflex influence of declining or increasing profits. Primarily these changes affect the position of the shares of the company and secondarily but vitally they have an influence on the bonds of the company. Declining profits on the one hand do not necessarily mean that net earnings available to meet charges will decline to such a point that the ability to meet these charges will come into question, but it does mean that the margin of safety for the funded debt in the shape of bonds, notes or other obligations will become smaller and thus create an adverse influence against these obligations, an influence which probably will show its effect in the declining prices for these securities.

In every business it is this margin of safety that is the vital question with the bondholder. The nearer the charges against net earnings come to the whole amount of net earnings the narrower is the margin of safety, and the weaker is the quotation for the bonds likely to be.

The question is now in what class of securities or in what group of industry is this margin of safety likely to remain strong, where is it likely to weaken or grow better? Everyone knows there are individual companies in any group that can hold up remarkably under special favoring conditions, whereas others of their kind are suffering hardship under the general conditions about that group.

These companies are very likely to maintain a strong margin of safety for their bonds, while many others are struggling to keep up theirs to a point of comfortable assurance.

There is little doubt but that the bonds of numerous corporations of all classes will be protected always by a substantial margin of safety. The point of this article in examining into the fundamental factors affecting all classes is to seek light that will enable one to make so intelligent a selection from whatever class desired that there may be avoided a possible painful wait of months for a security to regain its former quotation after a considerable drop, or on the other hand to take advantage of any bright outlook for any class of corporations or securities.

RAILROAD BONDS.

What, then, is the situation with the railroads which in the course of any year produce more than one-half of the bonds marketed and which have outstanding some billions of funded debt? Just now they are in the limelight because of the controversy over their request for permission to advance freight rates. If granted these increased rates in part or in full, there will be substantial increase in the net earnings all around.

The trouble now is not with gross earnings so much; they have been holding pretty well, but with declining net earnings. The lower net is the result of higher costs and higher wages. It has been obvious for some time that if there was to remain a sufficient margin of safety for the debt that is already in the hands of the public and adequate provision be made for additional financing for improving facilities and strengthening traffic conditions, the railroads would have to earn more money after expenses. Having good business and high gross earnings it was evident that the volume of business could not be swelled sufficiently. It therefore was apparent that net earnings could only be increased by getting more revenue.

Present net earnings on quite a few roads are amply sufficient to maintain a comfortable margin for their funded debt. But there are quite a few roads that show a greatly diminished margin. It is for these that the increased rates must come. If present costs are to keep up, and there is little prospect of any decrease, any good sized slump in railroad gross earnings would take off a large slice of surplus after charges and make the margin of safety for the bonds really thin.

It is to keep a good distance between total fixed charges and total net earnings that railway managers are striving, since the greater the distance the stronger the credit and the better able is the road to borrow on advantageous terms. Without these increased rates enabling the road to better its position with respect to net earnings, the prospective buyer of railroad bonds should study the situation rather carefully, selecting only securities on those properties which show a conservative margin of net earnings above fixed charges. If the Interstate Commerce Commission grants the desired increase it will mean so much for the roads that railroad bonds generally will be the better therefor.

Thus bettered in position the railroads present a field of much interest for the investor inclined to that type of security. Against railroad bonds generally there is really no sound argument. This burning question of the hour respecting rates and additional income is being raised into an issue of such hideous mien that many investors are being frightened, but it is a problem that undoubtedly will be wisely and satisfactorily solved in the near future.

The other aspects of the railroad situation stated briefly are these: Supervision is now so complete and strong that in the future the investor in railroad bonds may look for ever increasing safety. One by one the old tricks are coming to light and steadily the grip of the Commission is tightening and new laws coming to prevent repetition of the "high financing" of the past.

In other words, the old order of things is steadily passing away. Whereas twenty years ago the railroads worked for the directors, now, very largely, the directors work for the railroads. The day in which bankers exercised an inordinate degree of control in the operating affairs of the roads has passed and the practical men are in the saddle. The rigid requirements of the Interstate

Commerce Commission are a healthful and restraining influence and give the public a full view of the affairs of the railroads. Acounting and financial methods of the roads are coming steadily under the Commission's direction, and it will not be long before every security issue will have to be approved by the Commission or similar board before marketing.

Supplementing the activities of the Interstate Commission are the endeavors of the various state commissions throughout the country, a sort of double check that twenty years ago was negligible. Furthermore, the Government is conducting a physical valuation that should show the fundamental strength of the transportation system of the country.

The financial markets of the past few months have acted as a severe check on the issuance of new securities so that the output has been relatively small. With the waiting for the increased rate question to be settled and for improvement in money market conditions the railroads generally have grown up to their outstanding debts. There are some aspects of these various matters which are sometimes represented pessimistically, but it must be said that as a class railroad bonds may be looked upon as of sound fundamental position.

INDUSTRIAL BONDS

Very different considerations enter into the discussion of industrial bonds. In the first place there is practically no supervision such as exists with the railroads for the reason, of course, that the type of corporation is different, the industrial corporation being strictly private, whereas the railroad is a semipublic concern.

But the industrial corporations will not be long exempt from this public watchfulness. A regulatory commission has long been talked of in Washington. Federal incorporation in some form for concerns doing an interstate business may not be far off. Federal, state and Stock Exchange legislation is coming along steadily, all designed to restrict the free lance methods of corporate finance and make for the improvement of industrial securities.

The statement of these things shows that industrial bonds, being dependent upon business conditions and personal integrity of management, cannot be judged as a class. There is more individuality to industrial bonds than perhaps to any other class. There are so many subdivisions of this class, each having its own peculiar conditions, that generalizations are not expedient. The steel business might be very poor yet at the same time the biscuit business may be booming. The railroad business has become a science—a mass of principles—there is, of course, room for initiative, but not in the same sense that there is in industrial affairs where management and the personal element are such large factors. Add to all this the broader question of the effect of the tariff and you have the case for industrial bonds summarized.

Shall an investor buy industrial bonds now? Yes, but only with careful selection. Industry is having a setback. If it should have more, some of the weaker bonds will have narrow margins of safety. The stronger ones can survive quite a shock. Altogether it is a matter for special investigation of each issue after the fundamental factors affecting the particular branch of industry involved have been given their proper weight.

PUBLIC UTILITY BONDS

What are the basic facts about this class of bonds which is coming to such an important place among securities? A few years ago they took a minor place in the great issues of securities. Now they are almost as great in volume of new issues as the railroad bonds. There is, indeed, much to commend them. Well selected, the public utility bond has points of advantage about it that may not be found about any other security.

Almost a parallel exists between these bonds and the railroad securities in that the underlying bonds are generally good securities. Some of the weaker ones are to be found among the issues of holding companies. The tendency among public utilities over the past ten years has been to consolidate. Sometimes this ran to too great optimism among the promoters of these mergers. For this reason the investor should so far as possible look to the condition and earning power of the independent units of any public utility merger.

It is a principle of finance that the public utilities of any one locality can be operated to greater advantage united than singly. These mergers make excellent investments generally. Where the properties are scattered far and wide a good deal of caution should be observed before making promiscuous purchases of the funded debt. This can and has been done very sucessfully. The temptation has been, however, to group scattered properties of varying degrees of strength where homogeneity has been rather in the finance than the operating end of the business.

Fundamentally these public utilities furnish one of the best of the fields of investment. It can be demonstrated by statistics that because of the service to the fundamental needs of communities their earnings are constant, and in a good community steadily increasing, and that broad economic factors, that work hardship with railroads and industrial corporations, have but a relatively light effect on the fortunes of the utility companies. Some of these corporations, such as power propositions, run at a relatively small operating cost.

From the amount of favorable literature that has been published on public utility securities over the past few years it would seem that all of them are really good. As a matter of fact discrimination is quite as necessary here as elsewhere. That they return a better income than many other bonds of no better security recommends them to a certain extent. Where they can be issued only under the supervision of a state public utility commission they have another recommendation. They are subject to the moods of the market, yet the better ones fluctuate little in price.

There is, of course, a constant stream of legislation affecting the public utility corporations but that is tending to improve the position of the holder of their bonds rather than otherwise. Radical tendencies against these corporations are not rampant. The buyer of these bonds should inquire as to the conditions affecting this class of corporations in the state in which his company is located. Satisfied with the attitude of the public there he can go ahead and predicate his purchases on the financial considerations, principal of which are franchise security, value of the plant and operating efficiency.

MUNICIPAL BONDS

This class of bonds is usually bought with some different objective than income. Under present conditions wherein municipal bonds have had a sympathetic decline with all other bonds it is somewhat easy to get a number of issues that return an income equal to what the other bonds would yield under generally higher prices. Selected with this in view it is possible to get the high type of safety that comes with such bonds and still have a substantial income.

Nevertheless the point of safety gets the greatest emphasis in the buying of municipal bonds. It is not necessary to go into the different facts about the safety of this class of bonds further than to say that generally there is everything to commend them as an investment. The factors that enter into the study of corporate bonds of the three classes previously mentioned hardly bear on this class of security. Guarded as they are by state laws and hedged about by other restrictions their safety is so well defined that in many states they constitute the strongest savings bank investments.

Naturally with this great degree of safety income must be sacrificed. For the investor that would take up this class of security there is, of course, the added advantage that they are locally tax exempt and are not declarable to the Federal Government in accounting for the new income tax.

Whether one should buy municipals now or at some other time is not a question except that one watches closely for a slight bit more income attendant upon low markets such as we have now. He can buy them at any time if satisfied with the narrower income and the compensation of greater safety in them as a class.

Bond Market Topics

The Maturities of Next Year.

Next year is going to be an extremely interesting twelve months for the corporations. On the one hand we have the fact that something like $600,000,000 of securities are to mature and on the other hand we have the promise, if all the best prophets are right, of a much better money market than we have had for some time.

What will this combination work out is the big question. As to the maturities, they foot up to the largest amount in many years. There was something like $400,000,000 during the year just closing, whereas next year there are going to be railroad securities alone amounting to practically this amount. There are about $2,000,000,000 new corporation securities floated annually. As will be observed, next year nearly one-third of this huge amount will be represented in the refunding of maturities. It is obvious that these maturities will be cared for in easy fashion from the fact that this year, which is thoroughly understood to have been a mighty bad year in the money markets, two-thirds as many maturities were taken care of and besides huge amounts of new securities marketed. With easy money conditions which are generally anticipated, the corporations may have the chance of years in refunding their maturities into lower rate securities. They certainly must take the opportunity if it comes to get rid of the big load of short term notes that will mature in 1914. Wide-awake bankers will watch the money market very closely and try to get in ahead of others, for if any corporation can put out a large issue of long term bonds at a comparatively favorable rate of interest, the succeeding years will be much easier going with reduced interest charges.

How One Investment Index Points.

Investment bankers want to know when they are going to have big business again. They have been just making a living. They are watching fundamental conditions and they are gratified at the expressions of opinion coming from people who feel sure that the time for buying investments is now here. Every house, of course, examines its own business with keen scrutiny to see whither it points.

Just now the hearts of the bond men are made a little more glad by the outside evidences that exist as to the better feeling toward investments. The one in particular is the trading on the Stock Exchange in bonds. Trading in bonds on the Exchange sometimes has much more significance than in stocks. As this is being written there is nothing going on in stocks, but trading in bonds has taken on a better tone. Not that it amounts to much, for in times gone by more has been done in bonds in one day than is now being done in a week. But just to show how the public trading gives an index of improvement it should be noted that during October and November there was done on the Exchange an average of over $9,000,000 each week which compared with $7,000,000 in the month of August. The bulk of the business is now done outside of the Exchange, over the counters of the private banking houses, but the trading on the board is a sign of broadening markets. When it consistently increases in volume and strength it will indicate new and better things.

A Bit of Anomaly in Bond Movements.

In the average price of different groups of bonds there has developed a curious phenomenon. Everybody knows by this time that there is a marked recession in business all over the country. Many of the large industrial concerns, notably the steel companies, are showing pronounced reduction in their output and incoming orders. Other industries are complaining and many people are fearing a great business decline during the next year. If we were to accept the general statements of the newspapers there could be nothing but unfavorable things said about industrial conditions in the near future.

On these premises, industrial bonds ought to be looking pretty sick, both absolutely and relatively. In actual price they are really low, as are all bonds now. But from the high point of prices this year they have declined proportionately less than the railroad bonds and from the low point of this year they have gained proportionately more. That is to say, the net result of the movement in groups of representative railroad bonds and industrial bonds finds the latter having recovered almost half of the decline of the year, while the railroad bonds have recovered less than one-third.

How comes this? We can understand why the railroad issues should be making a poor showing in the matter of improvement in price from the low point, but it is difficult to see why, in the face of conditions above enumerated, the industrials group should not be looking still worse. This emphasizes the fact, however, that railroad issues of the best class are a good purchase, for their price is low and they may be expected to have a fine upturn if the increased rates asked for are allowed.

The Rise in Municipal Bonds.

Some of the bond men are saying that it is an ill wind that blows nobody good. The income tax is the ill wind. The sellers of municipal bonds got the good that it blew. If there is any kind of security that is flat in a dull market it is the municipal bond. When a lot of people saw the income tax law coming they quietly began to consider

ways and means to change their investments to something that was not subject to the tax inquisitor's scrutiny.

Heretofore many people have had investments on which they were taxable locally, but because there was no federal government taxation of income they were not afraid to avoid the local tax by any one of a dozen ways in which it could be done. Now that they have to contend with the government statute, which calls for a collection of the tax on income "at the source" they realize that the chances of getting caught by the local taxers is considerably greater than before. The way out of this was to get municipal bonds, most of which are exempt from personal taxation. The bond houses selling municipals, of course, interposed no objection to taking up with municipal bonds instead of other corporate securities and promptly began to reap the fruits of the conditions.

The result is that during the past five or six months there has been a steady appreciation in municipal securities. This rise in municipals occurred at the same time that the general corporate bond market was rising; but when the general market grew reactionary, the municipals kept right on going up. They have kept up the pace for the past four months. The advance in this group in November was the most pronounced since the rise began last June. It has been so steady and gradual that some people think it all occurred when they happened to be watching it, during the past few weeks, but as a matter of fact it has been going on for some time. There is good reason to believe that this advance in municipals was in some measure responsible for the reactionary movement in other bonds, so that altogether the income tax worked out both good and ill effects.

Another Month of Light Financing.

If the new financing of the month of November had any significance it was that the month showed a waiting attitude in the matter of flotation of new stocks and bonds. There was in the neighborhood of $87,000,000 of new securities put out, about half of which was for refunding purposes. However, nothelse was expected by observers. The uncertainties of the situation kept people waiting and guessing. With all the trading markets at a low ebb of business, with a small volume of bond business done in the houses, with security prices low so that corporations would have to pay rather dearly for new money, a small amount of new financing was only the logical outcome.

It only kept up the record of the year thus far for paucity of new securities. For the eleven months there was a decrease of some $175,000,000 as compared with the figures for 1912. There were two or three months this year that showed increases over the corresponding months of last year but the aggregate falls down as stated.

The bond people keep right on selling bonds and the market price keeps nearly stationary, but it will take quite a little rise in prices and strong money market conditions to tempt the corporations to come out after big amounts. They have had a big dose of paying high rates. They are wise to wait now as long as possible.

Hints to Investors

DO not buy bonds to any great proportion of your resources on a business that depends for its ultimate success upon the personal integrity or business judgment of a very few persons who constitute the management. Real estate securities have recently given a striking demonstration of the wisdom of acting on such a principle. The personal element should not be great in investment matters.

DO not be afraid to buy securities on far off properties just because they are at a distance. The old notion of buying into something that you can see is worn out. No progressive investor clings to that method. If all investors attempted to do that things would soon come to a full stop.

DO not let the volume of printed matter or written material that you get about a security affect you one whit. The more is said the more easy it is to confuse. It is not the quantity but the quality of the information that should count.

TOO much care cannot be exercised in buying securities from salesmen. There are many peddlers of securities going about. The salesman representing a reliable house can be readily recognized. Unfortunately, there are many people of sound sense in other matters that buy the peddler's wares.

INVESTMENT DEPARTMENT

INVESTMENT: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom

Which Kind of Stock is Best?

By RICHARD D. WYCKOFF

III.—The Copper Stocks

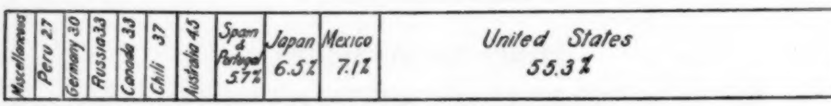
WHERE does the copper come from? Few who have dealt in copper shares can answer this question off-hand. Tabulations of figures are valuable in their way, but put in the form of graphics the eye is able to convey the facts in their true proportions.

Many of us hold an impression that Spain, with her Rio Tinto, produces a very large part of the world's total, but the graphic shows that the United States produces more than all the rest of the world combined.

WHERE THE COPPER GOES.

Europe consumes 65 per cent. of the world's output, Germany taking the lead. The graphic seems to show that the United States is in its knickerbockers when it comes to copper consumption.

How does Europe get away with all this copper? A glance at the component parts of Germany's consumption tells us that nearly half of it goes to meet the requirements of the electrical industries. Electrical demands in America are greater, in proportion to the total consumption, than those in Germany.



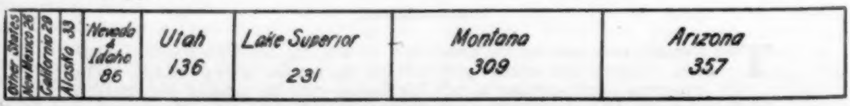
PRODUCTION OF COPPER BY COUNTRIES.

Now, let us correct other wrong impressions and ascertain what States contribute most to the American production. We find that Arizona heads the list for 1912 production, the Butte, Lake Superior and Utah camps standing next in order.

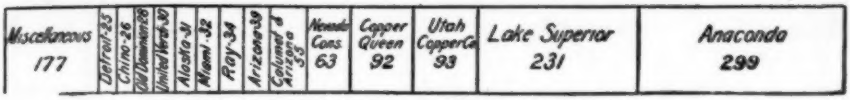
Then we present a picture of the American production according to mines, and we find that the Butte district is the largest contributor, with Michigan next and Utah Copper third.

Every mile of trolley line requires a ton of copper; the electrification of steam roads and the transmission of power many tons per mile. The astounding growth of the telephone business accounts for the consumption of much copper, the miles of wire in use in this industry being:

1895...	675,415	1910...	11,642,212
1900...	1,961,801	1911...	12,932,615
1905...	5,779,918	1912...	14,610,813



U. S. PRODUCTION BY STATES.



PRODUCTION OF PRINCIPAL AMERICAN MINES.

Millions of miles of wire are also required for the laying of cable and telegraph lines.

In our daily walks we see the glistening overhead trolley wires, but not the 1,000 pounds of copper concealed in the motor beneath the floor of the car. There are 94,000 electric railway cars in the United States.

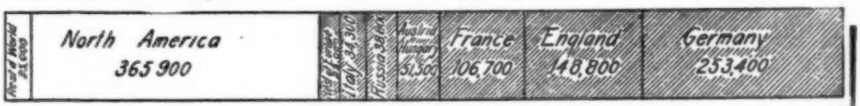
The electrification of steam railways is proceeding at a rapid rate and the country seems just awakening to the possibilities of the hydro-electric power contained in its streams and waterfalls. It must be a small town that is not nowadays furnished with an electric light plant, and a poorly equipped residence or office that has not its electric bells, fans, fire and messenger calls.

bedsteads, lamps, bells, clocks, bottle-tops, down to the pins on your wife's dresser, the manufacture of which article consumes many tons of copper per day.

The modern skyscraper is now roofed and corniced and trimmed on the exterior with copper. So are many of our newest passenger coaches.

Every time a gun is fired, in war or peace, copper is consumed. Cartridge cases are made of brass or copper, for use in rifles and rapid fire guns.

A vast amount of copper goes into coinage, the demand for small coins having greatly increased since slot machines were introduced. Millions of dollars in coppers are tied up in this way.



THE WORLD'S COPPER CONSUMPTION.

Up to 1890 the engineering trades consumed half the world's output in the form of brass, which is an alloy of copper and zinc. The uses of brass extend into the thousands, such as brass and copper boiler tubes, bearings, oil cups and trimmings in machinery and automobiles (the average auto uses about 100 pounds of copper and brass). In shipbuilding copper is used to sheath the bottoms of vessels and hundreds of tons of copper are used in the engines, dynamos, motors, fans, lighting, trimming, etc.

Look around your home or office and you will see brass or copper in dozens of forms such as door knobs, locks, bolts, drawer pulls, electroliers and gas fixtures, faucets and all bathroom furnishings (usually nickeled),

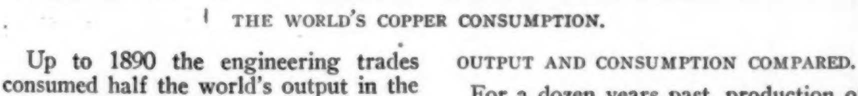
OUTPUT AND CONSUMPTION COMPARED.

For a dozen years past, production of copper has increased at the average rate of 8 per cent. per annum, 100 per cent. in twelve years, yet consumption has kept almost an even pace. The world's stock of the red metal, two months ago, stood at almost record low levels. Since then demand has fallen off, owing to the scarcity of capital and the consequent slowing down of business enterprises.

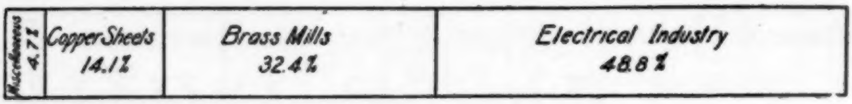
COST OF PRODUCTION.

Out of the thousands of copper mines that have been discovered and developed to a greater or less degree, there are today not over fifty active producers. Twenty-five of these yield nearly half the world's total supply.

Taking the figures given in the annual



HOW GERMANY CONSUMES COPPER.



PROPORTION OF AMERICAN CONSUMPTION.

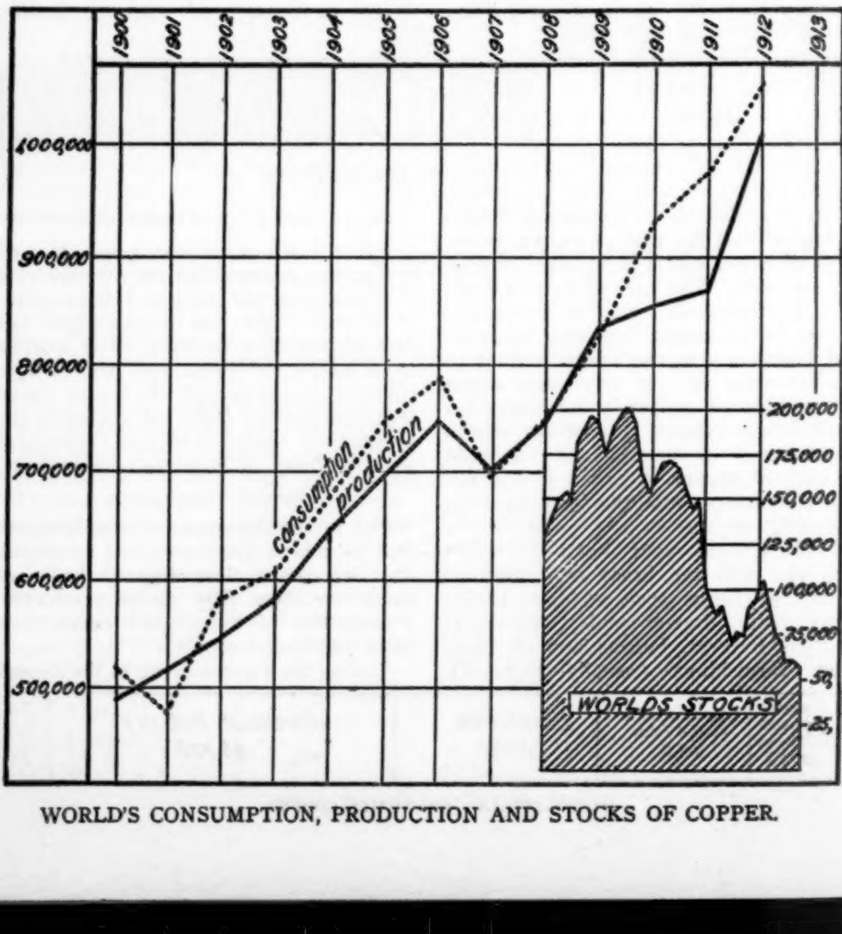
reports of the various copper producing companies, we find that it costs from 7 to 15 cents to produce a pound of copper, these estimates being reached by various methods of accounting. But if we take the amount of copper produced and the amount of money actually spent by the different companies for the past five years we find the average net costs to be as follows:

Lake Superior Mines.

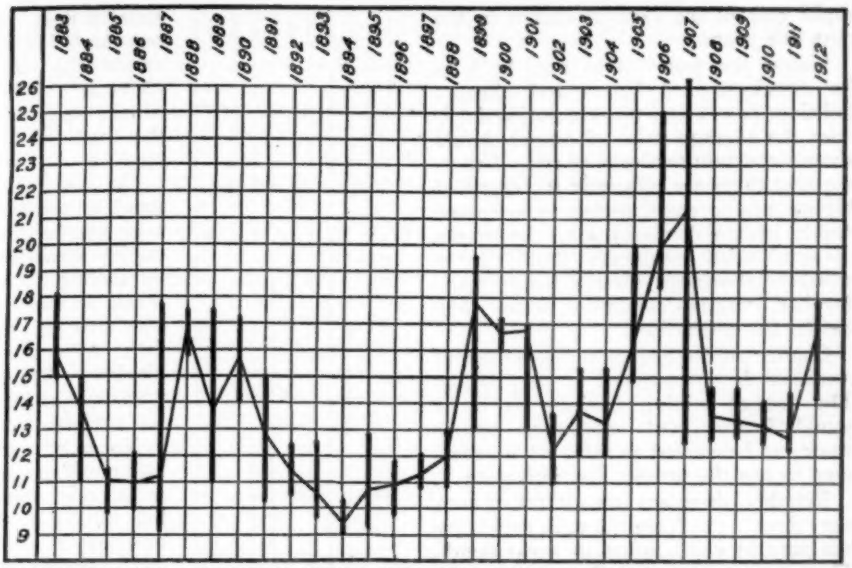
Wolverine	7.33
Calumet & Hecla	8.92
Copper Range Cons.	9.76
Osceola	9.82
Ahmeek	10.7
Quincy	11.1
Mohawk	11.08
Isle Royal	14.6
Tamarack	14.8
Allouez	15.4
Centennial	18.3

A much lower average cost is shown by the porphyry group of mines, based on 1912 results; viz.:

Chino	7.24
Nevada	8.34
Utah	8.97
Ray	9.68
Miami	10.



WORLD'S CONSUMPTION, PRODUCTION AND STOCKS OF COPPER.



YEARLY HIGH AND LOW METAL PRICES (VERTICAL LINES) AND AVERAGE SELLING PRICES (DIAGONAL LINES).

In the Butte district costs work out on this basis:

North Butte	8.49
Anaconda	10.4

And in the miscellaneous group we have:

Superior & Pitts..........	8.46
Calumet & Ariz.........	9.46
Old Dominion & Un. Globe.	9.8
Tennessee	10.7
British Columbia.........	11.3
Granby	11.45
Shannon	13.8
Mason Valley	14.57

The average cost of the above groups to which is added Phelps, Dodge & Co.'s output, figures 9.55 cents on 1,069,022,-367 pounds of copper, which is about half the world's production for 1912.*

AVERAGE SELLING PRICE.

Four-fifths of the American production is marketed through the two big agencies, the United Metals Selling Co., which disposed of 448,000,000 pounds in 1912, and American Smelting & Refining Co., which marketed 419,000,000 pounds.

Concentration of the marketing in the hands of a few large interests has in recent years been a factor in price stability. Average selling prices for copper during the past years are shown above.

Had it not been for the business depression which began to be felt in the fall of 1913, there is no doubt that much higher prices would have been seen, owing to a variety of causes tending to temporarily reduce the supply. As it is, prices up to this time have receded from 17¾ cents to 14½ cents, at which figure several high cost producers cannot conduct their operations at a profit.

While it is impossible to estimate the duration and extent of the prevailing depression, past experience and a careful survey of all the conditions that surround the copper industry lead unmistakably to the conclusion that few lines of endeavor are so well fortified against declining prices and falling consumption. Seldom have supplies ranged so low and never has demand, measured by yearly consumption, been so great. There is every reason to anticipate a higher scale of average prices in the next five years, because:

(1) There are no new fields being opened, sufficiently large enough to offset the rapidly growing demand. (2) Consumption should increase at a more

*Estimate of Mr. Heath Steele in *Engineering & Mining Journal*.

rapid rate in the next five than in the past five years.

Unless the world is to turn back in its march toward better and cheaper lighting, power and transportation facilities, the average price of copper should show a constant tendency to rise. Granting that there are offsets in the shape of higher mining costs, owing to increased depth, labor's demands, etc., the profits of established producers should grow steadily, allowance always being made for bad business conditions which limit capital for enterprise.

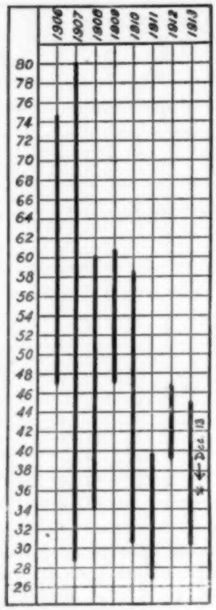
Copper stocks are therefore excellent mediums for investment or speculation. The copper mining business is on a sound footing, but not every copper stock can be classed as safe. It is necessary to use the utmost discrimination.

Roughly, there are two classes of copper mines: (1) Vein mines in which the ore runs in veins, often to great depth. These properties usually contain the highest grade of ore, but their future production depends largely upon the continuous development of their underground workings. Such are the mines of the Lake Superior and the Butte district; in fact the majority of copper mines are in this class.

To quote the Boston News Bureau, "Between 1849 and 1910 only 14 Lake Superior mines have paid back in dividends the amount of money invested. By nearly four-score companies that at one time or another in this period attempted to wrest a profit from the low-grade Lake Superior copper rock, $78,-000,000 was paid in assessments with $81,000,000 returned in dividends, these figures not including Calumet & Hecla. will receive $2 a year for 14 years or $28 per share. At that time, theoretically at Per se this looks like prosperity, but it should be stated that the dividends went to the stockholders of 20 companies. The unfortunate investors in the remaining 60 have experience as a credit."

(2) The porphyry mines. This designation being given to all low-grade deposits of ore in which the fine particles of copper sulphide are found in worthless rock.

A vein mine is likely to run into rich ore one month and a blank wall of rock the next. No one can tell in advance the total contents or value of the mine nor the cost of extraction.



AVERAGE PRICES OF 20 COPPER STOCKS.

On the other hand, a porphyry mine can be thoroughly examined by drilling operations, as the ore occurs in the form of a thick blanket deposit, usually at or near the surface.

Not only is the risk much greater in a vein mine, but mining costs are higher. The 1912 output of the Lake Superior mines cost, according to Mr. Heath Steele's method of calculation, about 10½ cents per pound, while Chino, a porphyry, showed a cost of 7¼ cents, and the other well developed porphyries from 8⅓ to 9⅝ cents.

The number of tons of ore contained in a porphyry mine can be accurately estimated, and it can thus be determined for how many years the mine will produce. This makes it more of a manufacturing enterprise than a mining venture, the only element of uncertainty being the price at which the output will be sold.

Remember that the more you take from a mine the less value remains; so that a mining investment to be safe must not only yield a good return, but it must pay back part of the principal sum invested. Take the case of Nevada Consolidated which is said to contain 40,-000,000 tons of ore averaging 1.7 per cent copper: It will take about 14 years (on the basis of its present output) to extract what remains. The stock sells at 15 and pays $1.50 per share in regular dividends, and of late 50 cents per share extra. This looks like a big dividend, considering the price, but it is not.

Presuming that the same rate is paid until the mine is exhausted, the holder least, his mine will be valueless; so from the $28 he must deduct the $15 cost, and the difference is $13, or about 87 cents per share per annum. This figures about 5.8 per cent. on the investment—about what many high-grade railroad and industrials are yielding.

We mention Nevada because it is in the liquidating stage of its career, the extra dividends being regarded by the management as instalment returns of the principal. And no matter how promising a mine may be, the permanent investor who goes into them is incurring a great risk unless he has the kind of a mine which can be figured this way and unless he devotes a certain portion of the dividend to the extinguishment of the cost of his shares.

But the great profits in copper stocks are made in buying the shares of these sound producing porphyries in periods of low metal prices, and holding until the metal recovers and dividends are increased. In 1911, with the metal around 12 cents, we could have bought Utah at 38, and in 1912 sold it on a 17 cent metal market at 67. Chino advanced from below 20 to over 50 in the same period.

In a word, the essence of sound judgment, if you decide to buy copper stocks, is to avoid vein mines and periods of high metal prices. Keep in the porphyries, especially those in which costs are low, leaving a wide margin of profit in any kind of a metal market. Operated to full capacity these porphyries will show costs of from 7½ to 9½ cents per pound, so that they are in a position to make money with copper as low as 10 cents—a figure at which authorities say it will never again sell.

The estimated life, costs and profits of the principal producing porphyry mines are as shown in the accompanying table.

THE PORPHYRY MINES.

Mine.	Life.	Est. Cost.	Div. Rate.	Estimated profits per share with metal at 12c.	13c.	14c.	15c.	16c.	17c.
Utah	40	7½	$3.00	4.11	5.03	5.95	6.88	7.80	8.72
Chino	35	7½	3.00	2.84	3.48	4.11	4.74	5.37	6.01
Ray	24	9	1.50	1.13	1.51	1.89	2.27	2.65	3.02
Nevada	14	8	*2.00	1.28	1.58	1.88	2.18	2.48	2.78
Miami	17	9½	2.00	1.27	1.78	2.28	2.79	3.30	3.81
Braden	33	7½	....	.43	.52	.62	.72	.81	.91
Inspiration	17			Not yet producing.					

*Including 50 cents per annum extra.

The net return on current prices of these stocks does not differ largely from that of sound railroads and industrials, because the porphyry stocks are among the safest securities on the list. Copper ore in the ground does not deteriorate; is not affected by tariff, taxes or politics. It costs so much per pound to produce, and the average market price taken over a series of years yields a good profit.

Owing to the lack of new sources of supply and the widening consumptive demand, the low levels of 1911 may not again be seen, but of course this depends to a great extent on general business conditions.

* * *

Thus far we have examined the three leading industries—railway, steel and copper. In point of desirability we should place copper stocks first, steels next and railways last. Profits in the transportation business are being steadily narrowed down between rising costs of labor, materials and capital, and the oppression of the State and National authorities. Profits in the steel business have been greatly reduced by the tariff. In copper mining, profits promise to average higher in the next five years than in the past five, because demand is running ahead of production. Regardless of price it is doubtful where sufficient copper will be found to meet the growing necessities of the world.

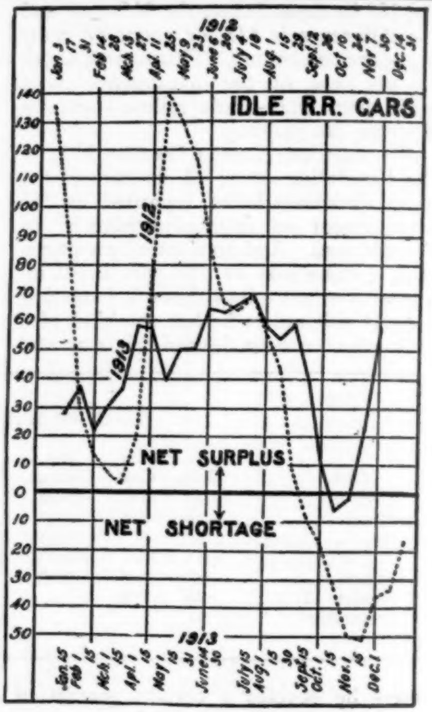
(Series to be continued.)

Earnings of Railroad Stocks

IN the table below we have figured the per cent. likely to be earned on some of the leading stocks if earnings for the entire fiscal year decline *in the same ratio* as during the first four months, for which net earnings are now available. Interest charges, other income, etc., are assumed to be the same as last year.

Of course, this is merely approximate, as the operation of any road may have been affected by unusual conditions during the first four months of either this fiscal year or last. This has been notably the case with Reading, and for that reason the road is omitted from the table. It should also be noted that we give the N. Y. Central & Hudson River, not N. Y. Central Lines, on which it is unsatisfactory to attempt to figure in this way. On the latter the decline in earnings has been much greater. Also we give Penna. R. R., not Penna. System. Both N. Y. Central and Penna. figures are based on 10 months of the year 1913. All other figures are for 4 months ending November 1.

The chart shows the number of idle cars as compared with last year. This sheds further light on present earnings.



	Earned last fisc. year. Per cent.	Est. present fisc. year. Per cent.	Div. rate.
Atchison, common	8.2	7.9	6
Balt. & Ohio, common	7.1	7.0	6
Canadian Pacific, common	19.6	14.6*	10
Chesapeake & Ohio, common	5.2	5.4	4
Chic., M. & St. P., common	7.1	3.3§	5
Chicago & Northwestern, common	9.6	9.0	7
Erie, common	4.2	0.5†§	0
Great Northern, preferred	11.0	12.5	7
Lehigh Valley, common	16.9	13.4	10
Louisville & Nashville	11.8	12.6	7
Missouri Pacific	1.9	2.0	0
N. Y. Central & H. R. R. R.	6.2	6.9‡	5
N. Y., New Haven & Hartford	8.5	0.9	0
Norfolk & Western, common	11.1	9.1	6
Northern Pac.	8.7	8.1	7
Penna. R. R.	9.3	8.3‡	6
Rock Island Lines	5.4	0.7	5
St. Louis & S. W., preferred	9.4	2.6	4
Seaboard Air Line, preferred	7.2	9.4	1**
Southern Pacific, common	9.6	6.8	6
Southern Railway, preferred	11.8	9.7	5
Union Pacific	15.1	13.3	10

*On increased capital stock. †Comparison especially unfavorable owing to exceptional business last year. ‡Based on 10 mos. §About half the decrease due to higher maintenance and equipment charges. **Initial div.—Rate not yet settled.

Earnings and Dividends

The Position of Standard Stocks Viewed in Perspective

By GEORGE C. MOON

WITH the passing of New Haven's December dividend, the year 1913 will take its place in history with a conspicuous record for passed and reduced dividends. Important changes in transportation, mining and industrial dividends have been a feature of the current year, and shareholders are now wondering where the next blow will fall.

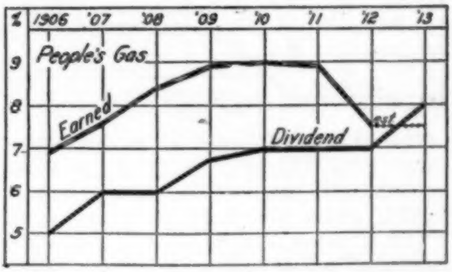
Rumor is again busy with hints of a number of impending dividend changes, and it is not unlikely that some of them may materialize. Corporations that in the past milked earnings unduly to maintain a dividend record may find the strain too great to continue the process in the face of a slowing down of general business and troublesome labor problems. Without doubt many concerns will start the new year under less favorable prospects than held good the year before.

It is in this connection that the graphics which accompany each article of this series, can perform a service of great value to those who follow them closely. Covering, in every instance, a sufficient period to enable the relative position of earnings to dividends to be seen at a glance, an insufficient margin of safety is readily noticed. The present article will discuss the following stocks in the same broad perspective as heretofore:

PEOPLE'S GAS.

THIS company is an outgrowth of the old Chicago Gas Trust, but dates its own origin back to 1855, finally becoming the holding company for the various organizations that formed the trust. As the graphic shows, the net income applicable to dividends on the stock was nearly all consumed by the dividend payments in each year. But in addition to the ordinary deductions of fixed charges for interest on the bonded debt, the company has charged off a considerable sum yearly, thereby reducing the amount available for dividend purposes.

A recent increase in the amount of authorized capital stock will probably



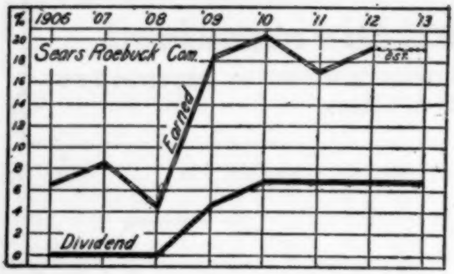
change the ratio earned to some extent in the future. The settlement of the question, now at issue with the city of Chicago, respecting the company's right to charge an 80-cent rate against the city's demand for lower rates, may also have a bearing upon future profits. As a local public utility corporation, Peoples Gas is subject to the drawbacks incident to public clamor for cheaper gas or an agitation for municipal ownership and operation.

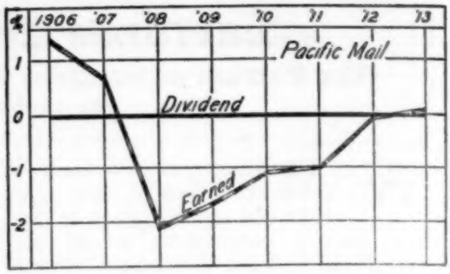
SEARS ROEBUCK COMMON.

EARNING power rather than tangible assets forms the principal equity behind the common stock of Sears Roebuck. It is the largest mail order concern in the world—having upward of 6,000,000 customers in the United States.

The graphic gives a clear outline of the progress made since 1906—the year in which the company was organized. As will be seen, earnings since have expanded greatly until the percentage earned on common represents a large surplus over dividends paid. In 1911, shareholders received a 33⅓ per cent. stock dividend in addition to the regular 7 per cent. paid in cash. There is $40,000,000 of common outstanding, also $8,000,000 of preferred—the latter retirable at $125 per share. There are no bond issues.

The permanency of a mail order business is always in question, but at the moment no evidence appears that the dangers associated with that idea have secured a footing in the company's af-





fairs. For the current ten months ending with October, gross sales were $10,000,000 ahead of the same period in 1912, which was the high record year. This showing revives former gossip concerning "melon cutting" prospects ahead.

PACIFIC MAIL.

ALTHOUGH it ranks among the oldest of our transportation corporations, Pacific Mail has not had a prosperous career. Only four dividend payments stand to its credit—the last one of 3 per cent. in 1899.

The stock has become somewhat prominent in the public eye recently, however, because of expected benefits to accrue from the completion of the Panama Canal. How far these expectations are to be realized is for the future to show. They cannot be estimated with any accuracy now. Undoubtedly there should be some benefit, but any attempt to predict the extent of it, especially as affecting the stock, would be pure guesswork.

Southern Pacific controls the company through an ownership of a majority of the stock and as in former years, uses that control advantageously for the object that impelled the purchase of the shares originally.

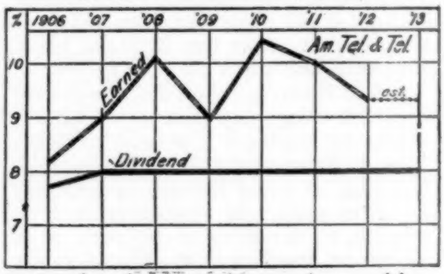
In five of the eight years covered by the graphic, earnings ran into a deficit, and in the remaining years the surplus was so meagre in each instance that a deficit was barely escaped. It would be unwise to anticipate any early change for the better. If any material improvement in the company's affairs is to come, it may be further off than many imagine.

AMERICAN TEL. & TEL.

ONE difficulty in presenting any illustration of the status of the affairs of the American Telegraph & Telephone Company is the necessity of depending upon statistics as compiled by the company rather than upon a full presentation of the facts for a basis.

In the graphic which we give here we show the yearly results as they appear in the official statements. The impression is general that a much better exhibit could be made if the necessity for doing it existed.

As it stands, however, the relation between earnings and dividends, as plotted in the graphic, is sufficiently good to account for the favorable market position of the stock as an investment security.



A disposition to insist upon lower tolls is becoming more general and public opinion is becoming more antagonistic to the alleged monopoly, or practically so, which, it is claimed, is held by the company. The recent government suit against the company and also the intimations of government control of telegraph and telephone lines is causing some uneasiness among the shareholders, many of whom are still quivering from the shock of New Haven's omitted dividend payment.

Doubtless much of this fear is groundless, but human nature is rather prone to expect the worst. After all, the ultimate result of these things may be beneficial and make for greater stability, with such misgivings disposed of.

How to Select Safe Mining Stocks

Practical Points for the Small Investor

By ARTHUR PRILL

(Second Article.)

[The practical points contained in this article are worth many dollars to the mining investor. Mr. Prill, as U. S. Deputy Mineral Surveyor, has surveyed thousands of mining claims, edited camp newspapers, incorporated and reorganized mining companies and sold stock in them, and has been customers' man and correspondent for one of the largest curb brokers in New York. He knows the How, the What, the Why and Wherefore of the mining business from A to Z.—THE EDITOR.]

MINING stocks with nothing but a series of "pockets" or other irregular fissures to give the paper value, must be handled with extreme caution. These can never be looked upon as investments, for the rich strike of one season may be followed by years of barren work. There is, too, very little check upon those in control at the ground. No one else can say where the high-grade began or where was the end. The president of a certain mine of this class, whose dump I necessarily passed early each morning, made a weekly trip to the spot at a similar hour. When he turned his automobile back to camp the springs hung low and there were three or four sacks less upon the pile, whose watchman knew how to keep his job.

In some districts the mineral-bearing veins are scattered here and there by subsequent earthquakes: one end of the deposit may lie higher than the other, or some parts are thrown off to the right and some to the left. At the point of shearing the vein is sometimes much enriched, but the extra money is often spent in trying to pick up the vein again. Rawhide was a good example of a camp which began with splendid prospects but whose deposits were so irregular that few made any money there. After years of development, the only mines that remain in Rawhide are of the low-grade variety and run on ore which the first locators would not look at.

When large masses of rock are found to contain a uniform value in mineral, the situation offers genuine investment opportunity. Such deposits are in fact so certain to turn out big profits that the issues rarely wander to the Curb. Big beds of iron and coal are bought outright by men who can afford genuine sure-things.

Gold is mined by open cut on Treadwell Island in Alaska where hundreds of stamps work as regularly year in year out as the clerks in the United States Treasury Department. Small investors find a chance to acquire an interest in this class of mineral deposit when a new "porphyry" copper mine is struck. While these are not beds in the mining engineer's sense of the word, they can for all practical purposes be considered as certain as a layer of coal or haematite, and consist of large bodies of rock impregnated with copper to an amount of about two per cent.

They are first prospected with churn drills and then blocked out by underground passages below the depth of steam shovel work until in some cases fifty million tons stand ready to be treated—an investment far more certain than a standing crop of ripening grain.

Lastly we come to the Treasure Chest variety of ore deposit. It is amenable to one certain test: ask the authors of such literature whether they would like you to submit it to the post office inspectors; you will be cut off that mailing list before the office goes to lunch, or sleeps, or takes another breath.

* * *

WHEN a mine's orebody is assured, the next consideration is the method of reduction. Even where gold or silver or copper occur in "native" or almost pure state they must be separated from the worthless rocks and accompany-

ing useless minerals which are found mechanically mixed with the precious one desired.

Gold and silver are milled, that is, stamped fine and caught on mercury plates. The mercury is then sweated away and the precious metals remain. Copper is usually much more difficult to extract from its ores. It must be roasted, either in huge heaps or in furnaces, then smelted, that is, burned together with other materials and fused. The waste "slag" is poured off and almost pure copper remains, but this must again be brought to a higher degree of fineness, which is usually done electrolytically.

Evidently all these reduction processes require capital outlay; a very small stamp mill can be installed for ten thousand dollars, but a hundred thousand is nearer the average cost of an up to date plant. A copper smelter may cost anywhere from half a million dollars up. When you are asked to buy stock in a gold or silver mine inquire casually as to the management's plans for a reduction plant; in most cases you will be met with a vague answer to the effect that a mill will of course be put up when the time comes, or you will be shown a photograph of some old rattle-trap that has done duty for twenty or more years and is probably as well suited to the ore on hand as Guttenberg's original printing press to a modern newspaper.

* * *

A STOCK selling campaign may be handled openly as such (this is the only course open to the small promoter), or a market for the shares may be made on some exchange by means of indirect advertising. The national campaign for Ely Central in the latter part of 1909 was a thinly veiled example of the latter.

In every case some objective should be visible for prospective treasury accumulations. If the property is undeveloped, make certain that the probable amount of stock sales will cover expenses of blocking out ore, if that is the only object of the present sale announced; if a reduction plant is also spoken of, remember that it will have to be paid for and that if the management goes broke before production stage is reached, your money has gone into a hole from which at best only those persons will reap any return who furnish additional capital for reorganization of the corporation and continuation of work.

If the announcement as to what will be done with the money is at all vague, keep your hands off. Why risk your good dollars with men who either do not know what they want or refuse to tell what they want? It is not to be expected that the prospectus contains all the information you desire, but letter paper is cheap; you spent quite a few hours earning your money and may as well put in a little time safeguarding it; don't worry about the man at other end—you or some other investor is paying his correspondent and stenographer. One curb broker employs thirty-five stenographers in his New York office, while local business is attended to in fourteen branches in other towns.

* * *

GETTING reliable information is at first glance a difficult problem, but if you will treat mining as you should any other business you will find that the trouble is imaginary. Men who know very well that in the shoe or dry goods trade "something for nothing" is the slogan of the fool, yet wander into the investment field and expect to pick up huge profits without expenditure of time and money. In securities, and particularly among those founded on mine values, the most valuable thing is information, and you must expect to pay for it. When you have decided that you are in a fair bull market, select three or four mining districts which appear to you to hold out the best promises. Any broker will upon request, accompanied by stamped addressed envelope, furnish you with the names of such newspapers as are published in the camps of your choice. Send each paper fifty cents and ask them to place you upon their mailing list.

Read these papers for two weeks and judge the camps, not by the promises of their editors and advertisers, but by the class of mining operators who have acquired interests there. Now narrow your field down to two districts, those of course in which the largest amount of actual capital is represented. Bear in mind that

every western town of two thousand or more inhabitants sports a Chamber of Commerce; when you are in doubt about the standing of any man whom the camp paper hails as the new magnate from Fresno or Cokeville, write to the Secretary of the Chamber of Commerce in his town. If the man is favorably known you will get an ample list of his achievements and holdings. If the mining camp paper forgets to mention where a stranger comes from, try the warden at San Quentin or Sing Sing. It is true that some men who are well spoken of at home are nevertheless untrustworthy, but by discounting such references fifty per cent. you get at least a better idea of his financial position than from his own circulars or from a Broad street broker's market letter.

Now write to the State Mineralogist of the state in which these two camps lie, asking for information as to government bulletins and reports upon those districts available in the state's bureau. Some of these are free, others are sold for the price of printing, ten cents to half a dollar. Address the same questions to the Director of the Geological Survey at Washington, D. C. The State and Federal governments have spent millions of dollars in examining and reporting upon our mineral resources, and you will be surprised at the amount of definite information available for the mere asking. If you cannot take sufficient interest in these reports to study them carefully keep out of the mining business.

Now select the best newspaper in each of the two camps; send the editor a year's subscription accompanying it with a complimenting letter about his sheet, offer to pay him five dollars a month if he will send you an occasional personal news letter whenever the situation warrants, and if he will mark such items in the paper as warrant special attention. If the capital which you expect to invest in mining stocks during the year amounts to a thousand dollars, offer him a bonus of fifty dollars should your investments turn out satisfactorily. That sounds like a lot of money for mere advice, on the chance too that it's honest, but mining is no cheap man's game, you must be prepared to spend and your returns will ultimately cover the outlay.

Begin to pay some attention to the professional cards in the camp paper and clip out the names of the mining engineers therein. Compare these with the same list of engineers' cards in the two principal national mining journals—the *Engineering and Mining Journal* of New York City, and the *Mining and Scientific Press* of San Francisco. Anyone can advertise, yet it is a fact that in the lists published by the two latter journals, high class names preponderate. Select a man according to such information as you have by this time found and ask him at what price per question he will answer inquiries from you, informing him frankly that you are only a small investor, else he may gather that your hundred thousand dollar commitment is worthy of ten thousand dollar advice. He will meet the situation fairly and unless you have hit upon Parke Channing or another man of similar calibre, which however is not likely in a new district, he will be very reasonable.

At last you are in a position to use your brains. The information of various kinds which will now reach you, for your name is certain to get on a dozen sucker lists before long, is in no case to be considered final. No two camps and no two mines are alike; it is impossible to lay down general rules, but the study of such news as comes to your hands will open new paths to you. Their development depends upon yourself: nobody told John Wanamaker how to build a successful store.

(*To be continued.*)

THE untrained security buyer or the one that depends upon poor or interested advice may well ponder the following advice given to an investor who asked whether stocks or bonds were best for him: "If you buy stocks you will probably dine well; if you buy good bonds you will sleep well."

Comparative Earnings of Important Stocks

THE BARGAIN INDICATOR

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvement of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. Latest monthly earnings will be found in table of "Monthly Net Earnings" or "Investment Digest."

Railroads	Present div. rate.	Div. yield on pres. price.	Earnings on par for fiscal year ending on any date during 1907.	1908.	1909.	1910.	1911.	1912.	1913.	Present price.	Earnings last fisc. yr. on pres. price.	Notes.
St. Louis S. West. com...	0	0	3.7	—4.2	—2.5	—1.1	1.4	3.8	5.6	21	26.7	Pfd. div. reduced from 5% to 4% basis.
Seaboard Air Line Ry. pfd	1	2.2	....	....	....	....	7.6	3.7	7.3	45	16.2	Initial div. 1%. Yearly rate not decided.
Erie com.	0	0	3.0	—3.7	0.3	2.9	2.5	0.7	4.3	27	15.9	
Southern Railway com....	0	0	—0.6	—2.2	0.5	2.3	3.1	3.1	3.4	22	15.5	Pfd. now on 5% basis.
Denver & Rio Grande pfd.	0	0	9.1	7.7	6.6	8.3	4.7	2.0	4.2	28	15.0	Contr. and finan. W. Pac. wh. earns only ½ fxd. chgs.
Reading com.	8	5.0	13.0	12.7	13.2	16.1	13.8	12.5	22.7	161	14.1	Incl. betterm'ts. Suit filed agst. control of Jersey Cen.
Mo., Kansas & Texas com.	0	0	5.0	0.4	0.7	0.8	2.0	—0.8	2.8	20	14.0	
Pitts., C., C. & St. L. com.	5	6.3	8.8	7.2	9.8	6.1	7.0	10.9	....	80	13.6	Pfd. and com. share above 5%. Contr. by Penna. Co.
Minn., St. P. & S. S. M. com	7	5.6	9.6	8.4	8.8	15.7	5.3	11.1	14.7	124	11.9	Pfd. and com. share above 7%. Contr. by Can. Pac.
Kansas City Southern com	0	0	5.4	2.6	3.4	2.2	2.7	0.2	2.7	23	11.7	
Lehigh Valley com.......	10	6.8	20.0	19.2	15.4	23.0	16.5	13.2	16.9	148	11.4	
Southern Pacific com.....	6	7.0	12.5	7.4	10.2	13.0	9.6	7.9	9.6	86	11.2	Govt. will contest ownership of Cent. Pac.
Colorado & Southern com.	1	3.5	4.5	4.8	4.9	7.3	5.2	2.6	3.2	29	11.0	Controlled by C., B. & Q. (Hill management).
Twin City Rapid Tran. com	6	5.7	8.2	8.3	9.9	10.9	11.0	11.3	....	105	10.8	
Brooklyn Rapid Transit..	6	7.0	4.4	4.1	4.2	5.6	6.8	8.3	9.2	86	10.7	Subways will doubtless enlarge earnings eventually.
Lake Erie & Western pfd.	0	0	2.0	—2.0	0.8	—0.2	—0.1	1.8	....	17	10.6	Controlled by Lake Shore.
Norfolk & Western com...	6	5.8	9.0	7.1	8.7	11.6	8.9	9.9	10.6	103	10.3	Controlled by Penna.
Atchison com.	6	6.5	15.0	7.7	12.1	8.9	9.3	8.2	9.5	93	10.2	Earn. 1913 on present cap. stock 8.5%.
Atlantic Coast Line.......	7	5.9	6.3	5.6	9.4	12.0	12.8	12.1	12.0	118	10.2	Holds control of Louis. & Nash. by stock ownership.
Union Pacific com.......	10	6.6	16.5	16.2	19.1	19.2	16.6	13.8	15.1	151	10.0	Now has 39% control of B. & O.
Chicago Gt. Western pfd.	0	0	....	....	....	1.2	1.9	0.4	2.8	28	10.0	
Louisville & Nashville....	7	5.4	10.7	7.5	14.3	17.3	14.2	15.9	12.7	130	9.8	Contr. by Atl. Coast. Earn. '13 on pres. stk. 11.6%.
Buff., Roch. & Pitts. com..	6	5.5	8.7	6.2	6.3	7.3	8.0	8.4	10.2	109	9.4	Pfd. and com. share equally above 6%.
Wisconsin Central com...	0	0	3.2	—0.6	0	2.5	—4.3	0.3	4.0	44	9.1	Leased to M., St. P. & S. S. M. (Can. Pac. system).
Chesapeake & Ohio.......	4	7.0	5.4	4.4	6.4	10.0	5.1	6.8	5.2	57	9.1	1912 and 1913 include Chicago line.
Canadian Pacific	10	4.6	13.7	10.6	8.6	16.0	17.3	19.6	19.6	218	9.0	Div 7% R. R.; 3% land sales.
Chic., Mil. & St. Paul com	5	5.2	10.5	9.5	7.2	8.0	7.1	1.6	8.6	97	8.9	1913 earnings include Puget Sound.
Great Northern pfd......	7	5.7	11.8	7.1	8.3	8.5	8.3	10.3	11.0	123	8.9	Has large equity in C., B. & Q. and Can. extensions.
Pennsylvania R. R.......	6	5.7	10.7	9.0	11.0	9.3	8.6	9.3	....	106	8.8	Divs. pd. since 1856. $45,000,000 new stk. recently sold
Delaware, Lack. & Western	20	5.2	38.5	40.8	52.8	35.4	31.8	33.2	....	381	8.7	
Rock Island Co. pfd......	0	0	....	....	....	1.6	3.8	0.5	1.6	19	8.4	R. I. Co. owns 94% of stock of R. I. Lines.
Delaware & Hudson......	9	5.8	15.2	12.4	12.2	12.5	12.3	13.0	....	154	8.4	
Northern Pacific com.....	7	6.6	15.1	12.8	10.7	9.0	8.2	7.9	8.7	106	8.2	Large equities in lands and C., B. & Q.
N. Y., Ont. & Western...	2	7.7	2.8	2.6	2.3	2.3	2.0	0.8	2.1	26	8.1	Controlled by N. Y., N. H. & H.
Baltimore & Ohio.........	6	6.6	9.9	5.1	7.1	8.9	6.9	7.6	7.2	91	7.9	Now practically controlled by U. P.
Chicago & Northw'n com..	7	5.6	12.7	11.2	11.4	7.7	8.0	7.1	9.6	125	7.7	Pfd. and com. share above 7%.
Missouri Pacific	0	0	9.9	3.7	1.3	3.3	—6.3	—2.4	1.9	25	7.6	
N. Y., N. H. & Hartford.	0	0	9.2	5.4	7.4	10.3	7.1	8.5	5.0	68	7.4	Div. recently passed.
N. Y. Cent. & Hud. River.	5	5.5	6.2	5.1	7.7	6.4	5.7	6.2	....	91	6.8	Controls 1/7 Rdg. through Lake Shore.
Illinois Central	5	4.9	....	8.4	7.4	7.1	10.3	3.2	6.0	103	5.8	Div. recently reduced from 7%.
Toledo, St. L. & West. pfd	0	0	6.4	0.2	1.0	2.0	—0.6	0.5	0.6	20	3.0	Earns. given exclude divs. on Alton, now discontinued.
Western Maryland pfd....	0	0.	....	....	....	8.6	6.2	6.0	—4.1	54	0	Connection with N. Y. Cent. completed.

Preferred stocks earning more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

Erie 1st pfd.............	0	0	12.3	—3.4	6.1	12.1	11.2	7.0	15.3	43	35.8	Entitled to 4%.
St. Louis S. Western pfd.	4	7.0	7.9	1.6	2.9	4.1	6.1	8.2	9.4	57	16.5	Div. recently reduced from 5%.

Industrials

	Present div. rate.	Div. yield on pres. price.	Earnings on par for fiscal year ending on any date during 1907.	1908.	1909.	1910.	1911.	1912.	1913.	Present price.	Earnings last fisc. yr. on pres. price.	Notes.
General Motors com......	0	0	....	....	....	....	15.7	17.3	38.8	36	107.8	1911 earnings 10 mos. only.
Am. Locomotive com......	0	0	18.1	11.1	—3.1	1.3	7.3	0.5	17.7	29	61.0	Mfr. of autos discontinued.
Central Leather com......	0	0	0.4	1.3	6.3	—2.1	—5.1	8.6	....	25	34.4	1st 9 mos., 1913, 3.4%.
Railway Steel Spring com.	2	8.7	8.6	—1.3	5.3	6.0	0.3	5.8	....	23	25.2	
Bethlehem Steel pfd......	5	7.4	10.8	2.4	5.3	13.4	13.6	13.1	....	68	19.3	
Republic Iron & Steel pfd.	7	9.0	18.6	9.8	8.1	11.7	9.7	5.1	14.9	78	19.1	Arrears 5¼%.
Am. Steel Foundries.....	2	7.7	14.0	0.3	0.1	6.1	—1.5	4.6	....	26	17.7	1911 earns. are 17 mos. 1st 9 mos., 1913, 8.2%.
U. S. Realty & Improve..	5	9.4	6.0	7.7	9.2	9.7	9.4	8.3	9.2	53	17.4	Controls Geo. A. Fuller Construction Co.
Colorado Fuel & Iron com	0	0	0.9	0.4	2.1	4.0	3.2	4.8	4.6	27	17.0	Pfd. in arrears about 40%.
Am. Beet Sugar com.....	0	0	1.0	4.2	7.0	7.3	10.9	13.5	3.9	23	17.0	Affected by tariff reduction.
Am. Smelting & Refin. com	4	6.6	12.8	7.0	7.7	7.1	9.1	10.1	....	61	16.6	Earns. 1911 and 1912, Smelting and Smelters Sec. consol'd.
Am. Hide & Leather pfd.	0	0	2.2	—0.1	11.2	—5.6	0.8	3.2	3.6	22	16.4	
Am. Can pfd............	7	8.0	6.4	6.6	6.7	6.8	7.1	14.2	....	88	16.1	Arrears 8¾%; 1912 earns. are after chgs. on new bds.
U. S. Rubber com.........	6	10.9	4.4	0.2	4.0	7.8	2.2	6.3	8.7	55	15.8	1913 figured on present cap. stock.
Inter. Paper pfd.........	2	5.7	7.2	7.3	2.7	4.5	5.3	5.4	....	35	15.4	6% cum. div. in arrears 22%.
Tennessee Copper (par $25)	6	5.2	16.0	6.5	6.8	8.9	8.1	17.9	....	$29	15.4	Income partly from sulphuric acid. Add'l 4% div. 1912.
Inter. Harvester (N.J.) com	5	5.0	6.5	7.8	17.8	14.8	14.2	15.2	....	101	15.0	Govt. suit pending.
Westinghouse Electric com	4	6.4	....	....	....	7.6	12.3	6.2	8.2	63	13.0	Large interest in 3 foreign Westinghouse Cos.
American Woolen com....	0	0	—3.3	—3.9	5.2	2.2	2.1	2.1	....	17	12.4	Affected by new tariff.
General Electric	8	5.9	11.6	10.2	7.4	16.7	14.5	16.2	....	136	11.9	Jan., 1913, 30% stock div.
U. S. Cast Iron Pipe pfd.	4	10.0	14.7	5.4	1.2	4.4	3.9	4.2	4.7	40	11.8	Controls 75% of U. S. production.
Am. Agricul. Chem. com..	4	8.9	6.2	6.1	7.5	10.4	9.1	7.3	5.2	45	11.6	
Utah Copper (par $10)...	30	6.4	5.9	23.3	29.5	34.6	39.7	53.5	....	$47	11.4	Earned 9 mos., '13, 38%.
Sears, Roebuck com.......	7	4.0	8.5	4.5	18.4	20.5	17.0	19.3	....	173	11.2	In 1911 p'd a 33⅓% stock div.
Am. Malt Corporation pfd	4	9.5	—4.0	10.6	6.2	3.0	8.8	9.3	4.6	42	11.0	Divs. in arrears 21%.
North American	5	7.6	4.7	4.8	6.0	6.2	6.2	7.2	....	66	10.9	Controls Street Ry. & Elec. Light Cos.
Corn Products pfd.......	5	7.9	7.2	8.5	8.2	6.9	7.0	6.8	....	63	10.8	Divs. in arrears. Earned 10 mos. to Dec., 1912, 5.7%.
American Linseed pfd....	0	0	....	....	5.8	4.5	2.6	—2.8	3.0	28	10.7	
United States Steel com...	5	8.9	15.7	4.0	10.5	12.3	5.9	5.7	....	56	10.2	U. S. Govt. suit pend'g. 9 mo. to Sep. 30, earned 10.1%
Union Bag & Paper pfd..	0	0	7.0	7.4	6.2	5.4	5.5	5.3	2.6	27	9.6	In arrears on 7% cum. div. Fisc. yr. ends Jan. 31.
Am. Car & Foundry com.	2	4.7	20.1	23.8	2.6	6.6	7.1	2.5	4.1	43	9.5	$600,000 set aside for com. divs. equals 2% on stock.
Amalgamated Copper	6	8.7	9.2	4.3	2.4	3.9	3.9	4.3	6.4	69	9.3	1913 based on 8 mos. earns. of 4.3%.
Am. Cotton Oil com......	0	0	8.7	3.2	10.4	6.8	—1.2	6.5	3.4	37	9.2	Controls 17 sub-companies.
Pittsburgh Coal pfd......	5	5.9	10.0	1.7	3.0	7.2	5.1	7.5	....	85	8.8	Divs. in arrears 39½%. 6 mos. to June 30 earned 4.2%.
National Lead com.......	3	6.8	6.0	5.8	6.2	4.3	3.6	3.8	....	44	8.6	
Am. Sugar Refining com.	7	6.9	12.4	7.5	3.9	3.8	9.6	8.7	....	102	8.5	Affected by tariff. Much litigation pending.
Pacific Coast com.........	6	7.5	10.3	5.7	5.3	8.8	7.2	6.2	6.6	80	8.3	Com. and 2d pfd. share equally above 4%.
National Biscuit com.....	7	5.9	7.6	8.1	7.4	7.7	9.8	10.0	9.6	119	8.1	Fisc. yr. ends Jan. 31.
Am. Teleg. & Telephone..	8	7.0	9.0	10.1	9.0	10.4	10.0	9.3	....	114	8.1	Large equities. 1st 6 mos. 1913 earned 4.8%.
Distillers' Securities	0	0	7.8	1.5	2.2	2.3	3.1	1.5	1.2	16	7.5	Holds maj. U. S. Ind. Alcohol.
People's Gas Light & Coke	8	6.9	7.6	8.4	8.9	9.0	8.9	7.5	....	116	6.5	
General Chemical com....	6	3.3	5.7	4.5	14.4	15.6	15.5	11.5	....	180	6.4	5% stock div. 1912. 9 mos. 1913 earned 10.1%.
Pullman	8	5.3	11.6	9.8	10.9	11.6	9.3	8.7	9.3	150	6.2	
Consolidated Gas (N. Y.).	6	4.7	3.9	4.9	6.7	7.4	7.6	7.5	....	128	5.9	
Western Union	3	5.1	5.0	1.7	5.8	5.7	5.4	4.0	3.1	59	5.3	Controlled by Am. Tel. & Tel.
Pressed Steel Car com....	0	0	13.3	—5.8	7.7	5.5	0.1	0.8	....	25	3.2	
Sloss-Sheffield com.	0	0	9.9	4.9	6.6	2.0	—0.6	0.8	....	27	3.0	
Va.-Carolina Chemical com	0	0	5.9	3.7	7.1	10.4	3.1	3.3	0.5	26	1.9	Owns Southern Cotton Oil Co.
Pacific Mail	0	0	0.7	—2.1	—1.7	—1.1	—1.0	—0.1	0.1	24	0.4	Contr. by So. Pac. Panama Canal should incr. earngs.
Nat. Enam. & Stamp. com	0	0	6.7	—2.1	1.1	1.0	1.1	—1.6	....	10	0	1912 earnings 18 mos.

Monthly Net Earnings

THIS table gives the returns of the principal railroads down to latest dates available, and should be studied in connection with the "Bargain Indicator," which shows annual results, and the "Investment Digest," where other details of earnings will often be found.

		Current month.	Change from last year.	Fiscal yr. to date.	Change from last fisc. yr.	Stock outstanding (in millions). Pref.	Com.
Atch., Top. & S. Fe	Oct.	$3,757,430	—$284,311	$13,394,454*	—$399,273	114	194
Atlantic Coast Line	Oct.	825,950	—44,242	1,816,618*	—304,221	...	67
Baltimore & Ohio	Oct.	2,404,965	—681,890	10,891,157*	—87,164	59	152
Boston & Maine	Oct.	985,155	—205,822	4,397,194*	—892,862	3	39
Buff., Rochester & Pittsb.	Oct.	354,801	+34,935	1,388,538*	+146,345	6	10
Canadian Pacific‡	Oct.	5,602,858	+1,971	18,096,369*	—380,925	74	260
Central of Georgia	Oct.	615,815	+77,028	1,286,446*	—146,179	15	5
Central R. R. of N. J.	Oct.	1,099,806	—263,322	4,652,683*	—618,826	None	27
Chesapeake & Ohio	Oct.	1,061,886	—4,456	4,185,877*	+30,750	...	62
Chicago & Alton‡	Oct.	58,359	—416,678	1,131,136*	—349,694	19	19
Chic., Burl. & Quincy	Oct.	3,853,165	—156,783	13,489,057*	+152,585	None	110
Chic. Gt. Western	Oct.	284,205	—145,480	1,444,991*	—51,978	44	45
Chic., Mil. & St. Paul	Oct.	3,588,594	—365,493	11,271,270*	—1,918,957	116	116
Chic. & Northwestern‡	Oct.	2,759,421	—81,367	9,777,798*	—309,433	22	130
Cleve., Cin., Chic. & St. L.	Oct.	546,551	—505,029	3,536,917†	—3,232,258	10	47
Colorado & Southern	Oct.	339,431	—231,300	1,474,738*	—243,043	1st, 8; 2d, 8	31
Delaware & Hudson	Oct.	804,278	+1,601	7,813,480†	+865,099	None	42
Del., Lack. & Western	Oct.	1,543,301	—55,036	5,573,289*	—88,316	None	30
Denver & Rio Grande	Oct.	854,360	—6,413	2,536,097*	—182,618	49	38
Erie‡	Oct.	1,136,404	—435,125	5,054,590*	—1,424,145	1st, 47; 2d, 161	112
Gt. Northern	Oct.	4,399,554	—273,708	15,194,628*	+911,623	209	None
Hocking Valley	Oct.	299,733	+11,991	1,190,028*	+32,700	None	11
Illinois Central‡	Oct.	1,195,993	+15,995	4,084,424*	+322,238	None	109
Kansas City Southern	Oct.	347,577	—43,042	1,350,388*	—87,774	21	30
Lake Erie & Western	Oct.	106,054	—63,526	942,134†	—164,814	11	11
Lake Shore & Mich. So.	Oct.	1,100,696	—1,018,744	14,515,355†	—799,443	None	49
Lehigh Valley	Oct.	1,299,012	—43,211	4,985,874*	—702,339	...	60
Long Island‡	Oct.	133,729	—58,235	2,436,283†	+271,403	None	12
Louisville & Nashville	Oct.	1,952,021	+319,275	5,879,175*	+229,874	None	72
Michigan Central	Oct.	669,957	—516,842	7,504,766†	—636,887	None	18
Minn. & St. Louis‡	Oct.	257,498	—44,060	964,646*	—64,459	5	15
Minn., St. P. & S. S. Marie‡	Oct.	879,717	—480,069	2,563,532*	—762,187	12	25
Mo., Kansas & Texas	Oct.	979,935	—559,869	3,512,353*	—490,972	13	63
Missouri Pacific	Oct.	1,589,074	—11,751	5,992,319*	+47,696	None	82
National Rys. of Mexico§	Oct.	41,967	—2,355,614	762,592*	—7,346,139	1st, 57; 2d, 240	149
N. Y. Cen. & Hud. River	Oct.	2,790,781	—265,056	25,161,951†	+2,066,383	None	225
N. Y., Chic. & St. Louis	Oct.	273,374	—188,066	2,133,257†	—559,859	1st, 5; 2d, 11	14
N. Y., N. H. & Hartford	Oct.	1,896,320	—520,360	7,825,917*	—2,102,946	None	157
N. Y., Ont. & Western‡	Oct.	156,900	—49,098	1,075,922*	—195,526	None	58
Norfolk & Western	Oct.	1,327,204	—78,550	5,263,399*	—272,249	22	103
Northern Pacific	Oct.	3,298,226	—340,215	10,633,413*	—328,899	None	248
Pennsylvania R. R.‡	Oct.	3,857,452	—506,714	34,370,249†	—272,355	None	493
Pere Marquette‡	Oct.	249,705	—159,035	726,979*	—743,090	12	14
Pittsb., Cin., Chic. & St. L.‡	Oct.	796,406	—330,966	5,341,329†	—3,383,352	27	37
Reading Companies	Oct.	2,063,754	—923,151	6,386,537*	—2,961,095	1st, 28; 2d, 42	70
Rock Island Lines	Oct.	2,111,929	—240,053	6,919,496*	—970,101	49	90
Seaboard Air Line‡	Oct.	678,850	+10,814	1,988,597*	+167,756	23	37
St. Louis & San Fran.‡	Sept.	1,183,511	—94,784	3,764,820*	+414,864	1st, 4; 2d, 15	28
St. Louis Southwestern‡	Oct.	282,701	—161,645	1,018,798*	—454,669	19	16
Southern Pacific‡	Oct.	4,935,813	—334,986	16,590,175*	—2,593,238	None	272
Southern Railway	Oct.	2,347,035	+107,648	7,124,803*	—394,236	60	120
Texas & Pacific	Oct.	747,341	—6,441	1,660,284*	+517,008	None	38
Tol., St. L. & Western‡	Oct.	126,254	+37,129	510,520*	+172,206	10	10
Union Pacific‡	Oct.	4,648,310	+278,699	14,493,818*	—1,296,147	99	216
Wabash	Oct.	764,729	—118,167	3,094,893*	—219,625	39	53
Western Maryland‡	Sept.	155,370	—28,843	527,999*	—28,486	10	49
Wheeling & Lake Erie	Oct.	291,618	+8,500	873,608*	—186,875	1st, 4; 2d, 11	20

*Fiscal year ends June 30. †Fiscal year ends Dec. 31. ‡Net earnings are after deducting taxes.
§These results are in Mexican currency.

The Investment Digest

THE items below are condensed from leading financial and investment publications and from official sources. Neither "The Magazine of Wall Street" nor the authorities quoted guarantee the information but it is from sources considered trustworthy. We endeavor to present in a few words the essential facts in regard to each company. For additional earnings, see also "Bargain Indicator" and "Monthly Net Earnings."

Allis-Chalmers.—INCOME ACCOUNT of receiver Oct. 1, 1912, to April 15, 1913, and of operations of Co. April 16 to Sept. 30, 1913, shows net profit of $601,000. Total sales billed were $11,660,000 and factory profit was $1,521,000, while selling and general expenses were $1,169,000.

American Agricultural Chemical.—REGULAR DIVIDEND will be declared payable in Jan. at 1% quarterly. Divs. on com. stock are apparently safe unless new weakness develops in fertilizer situation. The particular cause of declining profits of last 3 yrs. has been eliminated and outlook for spring of 1914 is most promising for 5 yrs. Net profits should be better in yr. ending June 30, next, than in either of prev. 2 yrs. It proved the case in 1907 that fertilizer earnings were unaffected by panic and depression and experts believe the same thing would now be demonstrated in case of prolonged dullness of trade.

American Beet Sugar.—PREFERRED DIVIDEND will be earned about twice over during 1913, although profits have suffered as result of unfavorable conditions. Director says that there is no intention of liquidating Co. as result of tariff changes, but that operations will be conducted as economically as possible. If, however, price of beets is cut much below present level, farmers will stop growing them. No question but free sugar in 1916 will drive out of business many of the small beet sugar factories, but the larger ones ought to survive.

American Brake Shoe & Foundry. — ANNUAL REPORT for yr. ended Sept. 30, shows increase over prev. yr. of $265,000 in surplus. Increase in divs. paid was $142,000.

American Can.—GOVERNMENT SUIT is likely to act as a wet blanket on the stock for next 2 or 3 yrs. as such litigation is always slow. Bankers for the property and the management have confidence in Co.'s ability to weather the suit without dismemberment. Can is an operating, not a holding Co.; its 47 plants are owned direct and are widely scattered so as to give quick access to the largest canning communities. Its organization is therefore not the same as the Tobacco Trust or Standard Oil Trust. Can controls only a small per cent of its field—not over 35%, while in the Oil and Tobacco cases control ran over 75% on the average. Can's treatment of competitors has been one of "live and let live." For 10 yrs. Co. has been intent upon building up its own plants, perfecting machinery and increasing efficiency, leaving independents to go their own gait. Those who have studied basis of this suit regard it as weak. Some estimates of earnings on com. stock this yr. are as high as 10% and 8% is conservative. Not known whether directors will pay the 8¾% accrued divs. on pfd., although Co. has the funds.

American Car & Foundry.—REDUCTION IN OPERATIONS is probable at an early date but fiscal yr. ending Apr. 30 next, will undoubtedly show 2% div. on com. stock safely earned. The RRs. need cars and would like to buy but find the necessary financing impossible so far. In spite of unusually large total of accounts receivable, Co. is not borrowing from the banks. However, it is not loaning money in Wall Street to anything like the extent of a few yrs. ago.

American Cotton Oil.—ANNUAL REPORT shows reduced earnings, owing to unsatisfactory conditions in the cotton seed market last yr. Cotton crop was nearly 2,000,000 bales smaller than prev. yr. and drought followed by bad weather caused considerable deterioration in quality of seed in Texas and Oklahoma. Competition among cotton seed crushers advanced prices to levels which reduced profits. Physical condition and efficiency of the properties have been maintained and improved. In 10 yrs. $5,239,000 have been expended upon repairs, maintenance and improvements and charged to operating expenses. During same period $5,446,000 have been expended on new construction work and additions to properties, including purchase of real estate. Earnings on com. last fiscal yr. were 3.4% against 6.5% in 1912.

American Light & Traction.—GOOD GAINS in earnings are reported, balance for common divs. for 12 mos. ended Oct. 31, being 23.35%. These gains are in spite of reductions in earnings of some sub. Cos., owing to reduced prices for gas and electricity.

American Locomotive.—SIX MONTHS' EARNINGS since July 1 have been enough for full yr.'s div. on the 7% pfd. stock, with surplus enough to take up the $2,000,000 short term notes maturing Oct., 1914. Business has recently declined but orders on hand will carry on operations until early in Jan. at about 70% capacity, as against over 80% cap. during the boom times last yr. Falling off in orders reflects inability of RRs. to do necessary financing for new equipment. As usual at such times repair business picks up.

American Malt.—PROPOSED MERGER of Malt Corporation with Malting Co. already approved by stockholders, will soon be passed on by the New Jersey Board of Public Utility Commissioners.

American Shipbuilding. — A POOR YEAR is shown by recent report, the third in succession. Pfd. div. was earned by narrow margin. Pres. Wallace states that marine affairs on the Great Lakes have been relatively poor. Low rates have reduced profits. Co. has completed 14 vessels and now has 12 under construction. Prospects not good for new construction as with increased depth of harbors and rapidity in loading and unloading through installation of modern plants, present tonnage on the lakes is ample. Working capital June 30 was $1,500,000, as against $5,700,000 3 yrs. ago. Including securities owned it was $3,880,000 June 30, against $6,600,000 June 30, 1910. It is apparent that Co. has not shared in recent shipbuilding prosperity general throughout the world. Standard Oil interests and many prominent New Yorkers are large stockholders and apparently have not sold any material part of their holdings.

American Smelting & Refining.—OPERATIONS IN MEXICO are now at less than 50% of capacity but Co. is nevertheless stated to be earning at rate of about 8% yrly. on com. stock.

American Snuff.—EXTRA DIVIDEND of 2½% in addition to regular 3% quarterly on com. stock payable Jan. 2. Regular quarterly pfd. div. of 1½%.

American Steel Foundries. — OPERATIONS are running about 75% to 80% of capacity and orders on hand will keep plants at this ratio for 2 mos. or more. No big individual orders lately, but aggregate of incoming business is largest in several mos. Director says he expects good buying movement in equipment market before long.

American Sugar. — REGULAR COMMON DIVIDEND will be paid, although it will not have been fully earned during 1913. Abnormal sugar conditions have prevented fair profits on operations. Sugar production all over the world has been enormous and there has been much price cutting. However, Co. is so rich in assets, especially quick assets, that the making up of 1% or 2% on the com. will not be burdensome. Book surplus at present amounts to about $21,500,000. Recent weakness in stock, partly due to filing in New Orleans of 50 suits asking $40,000,000 damages from Co. by planters and sugar dealers who charge monopoly and manipulation of market in violation of Sherman Law. Director says: "Co. had at end of 1912 net working capital of nearly $41,000,000, or over $90 per share on pfd., leaving the 6 great refineries, $23,000,000 outside investments, and $8,000,000 fire insurance fund as assets for the common. Important to bear in mind that Co. has no bonds, has on hand at all times $15,000,000 to $25,000,000 cash, never borrows, but is an indirect lender of money through its depositary banks."

American Telephone.—CONVERTIBLE BONDS, recently sold to subscribers at par, have declined to 94. These bonds pay 4½% int. and become convertible Mar. 1, 1915, at the rate of $120 (par) for a share of stock. Having been forced down close to a 5% income basis, the bonds are not far from the natural investment level, with the right of conversion into stock thrown in for good measure.

American Tobacco. — EXTRA DIVIDEND is expected shortly after Jan. 1, in form of a stock disbursement equalling about 1 share of Imperial Tobacco Co.'s stock for each 1 share of Am. Tob. com. In a pro rata distribution each holder of 10 shares Am. Tob. com. would receive 9 shares of Imperial, which is probably worth about $35 a share. This would mean extra div. on Am. Tob. com. of more than 30%. This extra div. will clean up the distribution of securities left in charge of Co. by U. S. Court 2 yrs. ago.

Assets Realization.—REDUCED DIVIDENDS are probable. Co. had been paying 8% on its $10,000,000 stock up to last Oct. when only 1% was declared, making total for 1913 7%. In 1912 Co. earned over 13% on its stock. Mr. Ira M. Cobe says: "Co. could liquidate its assets and meet all obligations and still pay par on its stock. Earnings are below last yr. on account of general financial conditions." Co. has $17,000,000 assets, conservatively appraised at $14,000,000. This covers Co.'s bank loans of $4,000,000 and capital stock of $10,000,000 at par. Co. has $800,000 cash on hand and has coming due and easily collectible more money than it owes.

Atchison, Topeka & Santa Fe.—CURRENT EARNINGS make an unfavorable comparison with the big traffic of last fall. About 3% has been earned thus far in fiscal yr. since July 1, on the increased amount of com. stock. It should be borne in mind that these fall mos. compare with the greatest traffic period in 1912 which the West ever experienced.

Atlantic Coast Line.—ANNUAL REPORT shows largest gross earnings in his-

tory of Co.—$2,659,000 larger than 1912—but only $513,000 of this gain was saved for net. Considering wage advances in past year or two Co. is controlling the expense acct. very well. Co. enjoys good management and is strongly entrenched by its property being in good physical condition and finances in first-class shape. Operating ratio has nevertheless risen sharply from 66.5% in 1910 to 72.2% in 1913, but per cent. earned on stock has been maintained around 12% throughout the 4 yrs.

Atlantic, Gulf & West Indies.—GROSS INCOME of Co. for 1913 will establish new record at $20,000,000 or over, as against only $13,520,000 as recently as 1909, which shows success of present management. An expansion in gross of 48% in 4 yrs. is decidedly unique among steamship properties. However, the boom days which have prevailed all over the world in shipping lines for 2 yrs. cannot be expected to last indefinitely.

Baldwin Locomotive. — REDUCTION OF WORKING FORCE by about 4,000 men Jan. 1 is probable unless business improves. Pres. Johnson says: "The railroads are not paying their way and are unable to obtain credit from the banks. There is vast need for machinery and general equipment but so long as railroads have their hands tied, proper maintenance and expansion of business is out of the question."

Baltimore & Ohio.—ANNUAL REPORT made remarkable showing in gross with increase of $9,000,000 in total revenue, but net earnings were $108,000 smaller than in 1912. More than half the gain in gross went into higher transportation expenses, but increased maintenance charges absorb $4,325,000. "Other income" was almost $900,000 larger than in 1912. The sum of $5,045,000 discount on securities was charged off during the yr., bringing profit and loss surplus down from $40,754,000 to $37,410,000. Total expenditures from 1909 to 1913 for additions and betterments were $42,002,000 and for equipment $41,512,000, total of $83,515,000. As a result the average train load was raised from 451.7 tons in 1909 to 650.8 tons in 1913.

Bethlehem Steel.—NEW RECORD for earnings will be established this yr. If income were computed on basis of 1912, as regards depreciation, Co. would show 35% on com. stock. However, depreciation will probably exceed 1912 so that earnings on com. will be perhaps 30%. This will surpass all other steel Cos. About 700 men have recently been laid off at the works, following failure to get government order for armor plate.

Boston & Maine.—HIGHER RATES on freight are expected as result of Commissioner Prouty's conferences with the New England Public Service Boards. Understood that the zone-mileage basis agreed upon will permit raising of local class freight rates about 16%, which would increase revenue $400,000 or more yrly. There is reason to expect that Co. will be allowed to raise its various tariffs enough to provide $1,500,000 or $2,000,000 more revenue. July 1 to Oct. 31 earnings were only $611,000 above interest charges, or $1,221,000 less than corresponding mos. of 1912. Outlook for coming mos. is dubious. Receivership for Co. is possible but official guesses are that there will be no such outcome. Co. has $10,000,000 maturing Feb. 3 and $17,000,000 June 10. If the road can be tided over the next 6 mos. some $2,000,000 more yrly revenue may be forthcoming from the new rates. Co. owns over $17,395,000 par of marketable stocks and bonds of sub. Cos., some of which might be sold.

Brooklyn Union Gas.—DIVIDENDS of 1½% quarterly and reg. semi-annual extra of 1% declared, completing payment of 8% for 1913. The extra divs. are declared under guise of making payments since 1906 average up to 6%.

California Petroleum.—PRODUCTION for 1913 will be about 5,500,000 bbls., against 5,700,000 bbls. in 1912. The full year will probably show margin of something over $100,000 after payment of full pfd. divs. of 7%. Net earnings for 1913 will probably be over $2,100,000 before depreciation, which will be about $750,000. This would leave a balance of nearly 4% on com. stock out of which 2½% was paid during yr.

Canadian Pacific. — SUBSCRIPTION RIGHTS to $52,000,000 6% special notes, to be offered at 80 to com. stockholders at ratio of 1 to 5, have an arithmetic value of 4.40 on basis of 102, the present quotation for the notes in London. These rights are the tenth offer of this nature to stockholders since 1902. Payments on the stock in form of both divs. and rights have been as follows for last 8 yrs: 1906, 17.7; 1907, 7.0; 1908, 14.7; 1909, 16.6; 1910, 9.5; 1911, 18.3; 1912, 18.4; 1913, 30.8. At the recent meeting Sir Thomas Shaughnessy announced a new policy in dealing with lands and investments. Estimating market valuation of lands at about $127,000,000 he stated that directors were considering conveying these lands to a Co. in exchange for all its capital stock to be held in treasury and taken into the balance sheet of Can. Pac. with other assets. Also considering incorporation of other investments, steamships, docks, wharves, warehouses, hotels, express service, etc. June 30 last Co. had still to receive $42,000,000 from last new stock issue and balance sheet showed cash on hand of $30,274,000, so that present cash resources, including about $44,500,000 deferred land payments, are doubtless in excess of $127,000,000, which places Co. in a secure position to carry out its program of extension and improvement.

Car Orders.—Total cars bought this yr. will be about 125,000, against 235,000 in

1912. In 10 mos. to Nov. 1, 101,000 cars were ordered.

Carolina, Clinchfield & Ohio.—NEW EXTENSION is 75% completed. It is 35 miles long, to connect with Chesapeake & Ohio at Elkhorn. Will cost $150,000 per mile and will be of most permanent construction with low grades. Will open new outlet for Clinchfield coal and provide shortest route from Middle West to south Atlantic states. It is predicted that passenger running time from Cincinnati, Toledo and Chicago to Florida can be reduced between 4 and 5 hrs. when this new extension is in running order.

Case Threshing Machine. — GROSS EARNINGS for 1913 are est. at about $15,000,000, against $14,626,000 for 1912.

Central Leather. — DIVIDENDS ON COMMON are being discussed but it is not probable that anything will be declared until 1914 operations have begun to shape up. Co. has had a fair yr. with earnings on com. of about 5% against nearly 9% in 1912, which was most successful yr. of Co.'s history. The equity behind the com. shares is est. at about $100 per share, in the form of bark and timber lands.

Chesapeake & Ohio. — CURRENT EARNINGS are well maintained as compared with 1912. Surplus after charges July 1 to Oct. 31 decreased only $78,000, and there seems to be no reason why Co. should not maintain 4% div. rate comfortably. No new financing is necessary as officials expect to handle all work on hand from current resources. Earnings next spring will show up favorably as against 1912, owing to disastrous floods in Ohio Valley last yr.

Chicago & Eastern Illinois.—CONTROL OF EXPENSES is the first necessity but receivers do not expect to get much control of it before next July. Maintenance has been increased. At the time of receivership, May 27 last, Co. had 6,900 bad order cars and a proportionately large number of locomotives. Cars have been reduced to about 4,000, locomotives put in better shape, and 14% more ties have been laid than in same period last year. Extensive work is also being done on structures. Co. suffered under the Frisco regime. Last fiscal yr. showed deficit after charges of $449,000 but yr. before balance after charges was $1,058,000. Road suffered badly last spring from floods. A good start toward rehabilitation has been made.

Chicago, Milwaukee & St. Paul. — HEAVY DECREASE IN EARNINGS during recent mos. is stated by officials to be chiefly due to the fact that new enterprises have been at a standstill in their territory on account of depressed financial and disturbed political conditions. Nov. car loadings decreased about 5% from last yr., but passenger earnings more than held their own. Co. has reduced its maintenance somewhat as against last yr. when it was unusually heavy. Equipment construction has been discontinued at Co.'s Milwaukee shops. Application of Co. to various State Commissions for new blanket refunding mortgage is believed to foreshadow early sale of bonds by the road.

Cities Service. — EARNINGS FOR YEAR ended Oct. 31, 1913, were encouraging and made it certain that Co. will be able to carry out its program of increasing yrly. div. rate on com. stock from 5% to 6% in Jan.

Colorado & Southern. — INCREASED MAINTENANCE expenditures were a feature of last fiscal yr., contributing $848,000 to a total increase in all expenses of $1,006,000. Gross earnings gained $1,117,000 and operating revenue for a train mile was $2.38 against $2.19 in 1912. Operating expenses consumed 70.45% of gross against 68.88% in 1912. Of the increased maintenance, way and structures, took $268,000 and equipment $579,000. The road gave a better account of itself than in 1912, but earnings on com. stock were only 3.2% against 5.2% in 1911 and 7.3% in 1910.

Consolidated Gas. — ISSUE OF CONVERTIBLE BONDS is planned, $20,000,000 to $25,000,000, for stockholders' subscription to extent of 20% or 25% of holdings, to retire $15,000,000 6% notes maturing Feb. 25 and to provide for additions and betterments. Co. will have to get approval of Public Service Commission and permission of stockholders to increase capital stock. Annual meeting Jan. 26.

Corn Products Refining. — CURRENT OPERATIONS are at 40% of capacity. Competition is reducing bus. and Waukegan, Pekin and Davenport plants have been closed. Argo plant is running almost full. All independents, however, are operating close to full capacity. Hearings on government dissolution suit are expected early next yr.

Delaware, Lackawanna & Western. — NEW STOCK to amount of $12,000,000 was authorized in Feb., 1912, and 50% payment was made Feb. 15, 1913. Remainder has been called for payment Jan. 5 next. This will increase amount outstanding from $30,277,000 to $42,277,000. Proceeds are being used for construction of new line west of Scranton and other improvements.

Erie. — CURRENT BUSINESS is not very good. July 1 to Nov. 21 gross decreased $187,000 or about 1% from last yr., but net after expenses and taxes decreased $1,424,000 to the smallest total in 6 yrs. Co. will continue to put all surplus earnings back into improvements. Maintenance expenditures to Oct. 31 increased $814,000, which accounts for about 3/5 of the decrease in net. Transportation costs increased $341,000, mainly due to higher wages and to interruption of traffic by putting 100 miles of new second track in service.

Federal Light & Traction.—EARNINGS for 10 mos. show increases of $164,000 in gross and $111,000 in operating expenses and taxes, $52,000 in net. There was, however, temporary reduction in net in Sept. and Oct. owing to loss by fire of Hot Springs Generating Station and consequent discontinuance of service. Meeting of stockholders approved issue of $10,000,000 7% 10 yr. notes, of which $725,000 will be offered stockholders at par and int.

General Chemical.—EXTRA DIVIDEND of 5% on com. stock payable Feb. 2 to stock of record Dec. 31. Also Co. announces that stockholders will have privilege of subscribing to com. stock at par to extent of 5% of holdings Dec. 31, payment to be made Feb. 2.

General Electric.—RECENT SALES have been running at rate of about $85,000,000 yrly. against rate of $128,000,000 early in 1913. Officials take a conservative view of 1914 outlook. Figures for 1913 will show new high records in both gross and net, 13% or 14% on stock against 12½% in 1912.

General Motors. — COMPANY HAS CHARGED OFF, up to the end of current fiscal yr., at least $17,000,000 to retire notes or for special depreciation. Of this amount $10,000,000 represents direct charges against surplus to readjust 1910 inventories, when present management came into power. Remaining $7,000,000 represents sinking fund operations in connection with serial 6% bonds. The entire $17,000,000 is, strictly speaking, a charge outside of ordinary depreciation. For instance, in the late yr. Co. absorbed into operating costs a total of $1,098,000 representing depreciation of buildings and equipment and allowances in other yrs. have also been adequate. The above $17,000,000 special charge-offs exceeds total of com. stock by $600,000. Early cessation of these special charges constitutes the great hope for future divs. on com. stock. Sales 4 mos. to Dec. 1 were $25,307,000, an increase of 25% over last yr. Co.'s cash position is $4,500,000 better than last yr.

Goodrich. — WITHHOLDING INFORMATION of declaration of pfd. div., which frightened stockholders into selling, resulted in special action by Stock Exchange authorities. There appears to be big competition in the rubber business, between this Co. and U. S. Rubber, Goodyear Rubber and Hood Rubber. The Goodrich Co. is considered to be over-capitalized.

Goodyear Tire & Rubber.—NET SALES yr. ended Oct. 31 were $29,000,000. Net profits $2,041,000, equalling 33% on com. stock against 50% earned prev. yr.

Illinois Central. — CURRENT EARNINGS now equal the former 7% divs., with gratifying gains in net as well as in gross. Director says, "Roadway and equipment are in first-class shape. Large per cent. of passenger cars in use are of steel. Big Pacific type locomotives are being used on freight trains and Mikados for passenger trains. Business outlook throughout Illinois territory is very satisfactory." Oct. gain in gross was over 6%, Nov. 7%, in face of decreases shown by other Western lines.

Inland Steel. — CURRENT OPERATIONS are about 75% of capacity and new business between 60% and 65%. Capacity has been increased about ⅓ this yr. at cost of $4,500,000. Co. employs as many men as last yr., but plants were then operating close to 100%, which would now require 1,000 more men.

Interborough - Metropolitan. — TWO-YEAR NOTES at 6% due Dec. 22 will be partly paid off and balance extended 6 mos. or a yr. Amount is $1,800,000. Interborough Rapid Transit (sub. Co. of Inter-Met.) is reflecting depression of business in New York. For 5 mos. gross has increased at rate of $475,000 yrly. against increase of $1,262,000 yr. ended June 30 last and $1,479,000 in 1911.

International Agricultural. — BETTER CONDITIONS are now in evidence and there is more than an even chance that Co. will now show sustained earning power. New management has made thorough housecleaning. Unprofitable contracts have been abandoned and the loss written off the books. Output of finished fertilizers will be increased so that instead of selling phosphate rock and sulphuric acid to little competitors Co. will use these materials itself, getting the entire profit.

International Smelting & Refining.—NEW SMELTER now building at Inspiration property will give International Co. an important base for smelting operations in the Southwest. Inspiration's production should be nearly 75,000,000 lbs. copper yrly. In addition Miami concentrates representing yrly. production of about 35,000,000 lbs., now going to Cananea for smelting, will probably be handled at the new plant. Co. is constantly broadening scope of its operations. Returns for 1913 are expected to equal the 11.1% earned in 1912.

International Steam Pump. — ANNUAL REPORT for yr. ended Sept. 30 shows net earnings $1,407,000, decrease of $480,000. Balance for divs. was 1.9% on pfd. stock against 4.5% prev. yr. Competition in Co.'s line has been unusually severe.

Lehigh Valley. — EARNINGS 4 mos. ended Nov. 1 were $4,412,000 net after taxes, or $758,000 less than in 1913, which was a time of record anthracite coal shipments. These earnings are well in excess of both 1912 and 1911. As half of the yr.'s div. requirements have been provided for during 4 mos., Co. should have no difficulty in earning the other half during remaining ⅔ of fiscal yr.

Loose-Wiles Biscuit. — GROSS SALES are running 14% ahead of last yr. and Co.

is earning over 5% on its $8,000,000 com. stock. It is understood to be loaning about $1,100,000 on the Street, money raised last yr. for bakery development on Long Island. Plans were changed and bakery built by outside capital and leased to Co. with option of purchase within 3 yrs. This bakery should be in operation about May 1 and will enable the Co. to enter the N. Y. field in earnest.

Louisville & Nashville.—GOOD EARNINGS are due to prosperity attending the harvesting of good cotton crops in Ga. and Ala. and large movement of coal, which constituted over half road's tonnage. 4 mos.' net increased 4.4% over prev. yr. In Oct. ratio of operating expenses to gross was 66.5% against 69.7% same mo. last yr. Gross increase for 4 mos. was 7.2% over last yr. However, cost of conducting transportation has increased, ratio being 32.9% for 4 mos. against 31.7% last yr. Of course, this is a low ratio.

Massachusetts Electric.—ANNUAL REPORT shows 4.9% earned on pfd. in 1913 against 6.4% in 1912, 6.2% in 1910, 5% in 1909 and about 4½% in 3 prev. yrs. In 1911 fiscal yr. was changed so that only 6 mos.' income was received. During yr. coupon notes were reduced from $3,700,000 to $3,116,000. Total expenditures since 1899 for new property and reconstruction have been $23,259,000. Co. has undoubtedly put back into property out of earnings since organization an amount equal to at least $25 a share on pfd. stock now outstanding.

Mexican Petroleum. — DIVIDENDS PASSED on both pfd. and com. stocks owing to unsettled conditions in Mexico.

Minneapolis & St. Louis. — NEWMAN ERB has said that the 6% notes maturing Feb. 1 will be provided for, but details have not yet been arranged. Probably part will be paid off in cash and new notes issued for remainder.

Missouri, Kansas & Texas.—ANNUAL REPORT shows most prosperous yr. in Co.'s history. Gross earnings increased $4,159,000 and of this $2,556,000 was saved for net. Operating expenses increased $1,602,000 and maintenance expenditures contributed $863,000 of this increase. Ratio of expenses to earnings was 70.5% against 75.2% in prev. yr. Co.'s business has outgrown terminal facilities. Extensive changes are being made in freight station at St. Louis. Union Terminal Co. of Dallas has made good progress in acquiring land and franchises for a new passenger terminal there. The Kansas City Union Station should be ready for service during 1914. At Dallas Co. has bought a new general office building.

Missouri Pacific. — DECREASE IN GROSS amounting to $448,000 in 4 mos. was not unexpected, as the comparison is with the movement of bumper crops in 1912. Also there have been enforced reductions recently in freight and passenger rates. For 4 mos. ratio of transportation expenses to gross has been 34.3% against 34.5% in 1912, 36.2% in 1911 and 40.4% in 1910. Maintenance expenditures are running about 33% of gross, 3% less than in 2 prev. yrs., but 3% higher than the ratio Pres. Bush estimates will maintain the property under normal conditions.

National Lead.—DULL BUSINESS is probable for the present, but yr. 1913 as a whole will show as well as last yr. when 3.8% was earned on com. stock. The sharp contraction in new construction has reduced the demand for pipe and sheet lead and to a less extent for white lead. Co. is easing up on new construction.

National Railways of Mexico. — LOW PRICES for Co.'s stocks are, of course, due to Mexican war. This system comprises over 7,000 miles of road and will get a large share of prosperity when it returns, but settlement of trouble will doubtless be slow. In times of peace, Co. should earn the 4% on 1st pfd. and 1% or 2% on 2nd pfd.

New York Central.—PRES. BROWN'S RESIGNATION was not wholly unexpected. His administration covered 5 yrs., an era of great growth and physical improvement, including Grand Central Terminal and electrification into New York City. Gross earnings for 1913 will probably exceed $115,000,000 which would represent gain of about 37% since he became Pres. in 1909.

New York, New Haven & Hartford.—SUSPENSION OF DIVIDENDS after consecutive divs. since 1873 aggregating 372½%, and after payments to stockholders greater than the $157,000,000 capital stock now outstanding, was severe shock to holders. Of the 23,968 shareholders, 10,222 or 42% hold from 1 to 10 shares each. The same per cent. for Boston & Maine is 60%. About 90% of New Haven holders hold less than 100 shares, Boston & Maine being 96%; 59% of New Haven shareholders are either women or trustees. Pennsylvania and N. Y. Central are the only R.R.'s holding much New Haven stock, former having about $5,312,000 and latter $1,545,000. American Express Co. has 51,000 shares.

New York Railways.—BOSTON INTERESTS have become large holders of Co.'s bonds, especially the $30,626,000 5% income bonds. Earnings are making steady progress and there is a very good chance that yr. ending June 30 next will show full 5% earned on the income bonds.

Northern Pacific. — CHAIRMAN CLOUGH says, "Co. is in better shape than ever before. I doubt whether there is a better line of 6,500 miles in the country. People in the Northwest are hopeful. Weather has been favorable for all ploughing and winter wheat in Pacific Coast States is looking fine. Washington fruit country

did particularly well last yr. Banks are well supplied with money for local needs. Co.'s gross will not be as large this yr. as last, but will be sufficient to leave a comfortable surplus. I see nothing indicating business depression. Slight dullness in some towns, but every indication of fundamental soundness. Co. has no plans for any considerable extension or construction work, as present facilities are ample." Grain tonnage this yr. will be about 20% under last yr.

Pacific Telephone & Telegraph.—CALIFORNIA COMMISSION has reduced rates on toll and long distance calls 40% and doubled time allowed for talking, also where 15% was previously allowed to connecting Cos.; per cent. under the new ruling is 30%. This will cut about $500,000 from net earnings and puts an end to talk of com. divs.

Pennsylvania.—NET EARNINGS after taxes for 10 mos. of 1913 decreased 11.9%, although gross earnings increased 6.5%. For Oct. decrease in net reached surprising figure of 22.7%, all lines. Increased expenses have been in part due to higher maintenance charges. The heaviest losses have been on lines west of Pittsburgh. Number of stockholders is increasing steadily, total now being 86,807, or an average holding of 114 against a total of 65,611 and average holding of 126 in Feb., 1911. The most rapid increase in number of shareholders has been during 1913.

Peoples Gas.—INCREASE IN STOCK from $35,000,000 to $50,000,000 has been approved by stockholders, also mtge. to secure issue of 50 yr. 5% bonds for additions, extensions and improvements. It was announced at meeting that Co. paid $600,000 for 300 acres at drainage canal between 31st and 39th Sts., where coal gas plant will be erected, but could sell site now for 3 times as much. Director says yr.'s net earnings will equal over 9% on stock against 7.5% in 1912.

Pere Marquette. — ANNUAL REPORT issued by receivers to keep up Co.'s records shows total income of $3,143,000 for fiscal yr. ended June 30 last, an increase of $461,000 over 1912. Final deficit was $1,595,000, a decrease of $384,000. During yr. $873,000 was expended for rehabilitation, mostly new rails, and transportation expenses were reduced $561,000, although freight revenue increased $686,000. Increase in revenue tonnage was 9.4% over 1912.

Reading.—EARNINGS ON COMMON for first 4 mos. of current fiscal yr. have been 2.9% against 7.2% corresponding mos. of 1912. Conditions last yr. were exceptional because of big movement of coal following anthracite strike. Reading Railway itself shows decrease of only 2.2% in gross for the 4 mos., but net fell off 17.8%. The Coal & Iron Co. makes a poor comparison with last yr. and pulls down the showing for the system.

Remington Typewriter. — NO DIVIDEND was declared on com. stock, but regular quarterly divs. on 1st and 2nd pfd. stocks. 3 mos. ago Co. paid 1% on com., first disbursement since 1907, but did not state that it was a quarterly div.

Republic Iron & Steel.—PERIOD OF DEPRESSION would find Co. stronger financially and physically than at any time since organization, due to heavy expenditures for new construction which have increased and diversified production and a systematic campaign for reducing costs. Co. has practically doubled its capacity in 10 yrs. and is in a strong position in raw material with constant supply which protects it against price changes. Iron ore, coal and lime stone owned in fee and by lease have a replacement value, according to Chairman Topping, of $46,000,000.

Republic Railway & Light. — TWELVE MONTHS ended Oct. 31 increase in gross earnings was 13.6% over prev. yr.; increase in operating expenses 14.9%; fixed charges 1.3% and in surplus 22.7%. Surplus was sufficient to pay divs. on pfd. more than twice over.

Riker & Hegeman.—NEW COMPANY will be called Corporation of Riker & Hegeman Stock. Of $7,000,000 com. stock now outstanding of Riker & Hegeman Drug Co., George J. Whelan owns about $3,700,000. Co. will continue an expansion program, though it is believed rate of increase will be slower than last yr.

Rock Island.—DECREASE IN GROSS for 4 mos. amounts to about 4% from last yr. Bulk of reduction has fallen upon maintenance of way, reduction in transportation expenses being small. It had been hoped that transportation costs could be considerably reduced.

Rumely Co.—EXTENSION OF NOTES which are due Mar. 1, 1915, to amount of $10,000,000, is being attempted, for period of 3 yrs. Note holders have been asked if they will consent to such a proposition, in order to strengthen financial position of Co. so that it can get necessary bank loans. Co.'s business requires carrying on books large bills receivable in farmers' notes, which are paid when crops are harvested. Those familiar with Co.'s affairs believe that extension of these notes will solve Co.'s difficulties.

Seaboard Air Line.—PRES. HARAHAN says outlook is favorable with probable increase of $1,000,000 gross in current yr. Orange crop heavier than usual, but grapefruit light. Vegetable crop heaviest ever produced in Co.'s territory and cotton crop big. Outlook for general business in south encouraging, as farmers have plenty of cash. In 4 mos. gross increased 3.8% over 1912 and net after taxes increased 10%. Earnings current yr. are expected to exceed 8% on pfd. stock. There is apparently nothing in sight to prevent establishment of 4% divs.

When initial div. of 1% was declared in Oct. directors did not commit themselves to quarterly divs.

Sealshipt Oyster.—REORGANIZATION is planned and the Protective and Reorganization Committee is calling for deposits of liens, bonds and pfd. stocks. Co. has defaulted on int. on its debenture bonds and the principal of the bonds has been declared due. Co. has no funds to prosecute its business.

Southern Pacific.—GOVERNMENT SUIT may force Co. to part with Central Pacific, whose entire stock is owned. In last fiscal yr. Co. received 6% from Central pfd., or $1,044,000 and $4,036,000 from the com. In 1911 Southern received from Central $7,411,000. So Pac. has sold 45,000 acres of land in northern end of Imperial Valley for about $2,000,000. Cultivation of this land will provide considerable traffic.

Southern Railway.—PRESIDENT HARRISON says "Conditions favorable. Farmers have had a prosperous yr., cotton crop east of Mississippi better than last yr. and prices higher. Corn in the 9 southeastern states was nearly equal to last yr., other crops good. As a result, wholesale and retail trade is generally satisfactory. Manufacturers are running on full time."

St. Louis & San Francisco.—KANSAS CITY, FORT SCOTT & MEMPHIS ROAD, leased to Frisco and included in balance sheet of system, earned 10.6% on pfd. stock yr. ended June 30, 1913, against 7.8% on a somewhat smaller amount of stock prev. yr. This Co. contributed to Frisco's income $996,000 in 1913 against $513,000 in 1912.

St. Louis & San Francisco.—BETTER RESULTS are being obtained under operation of receivers. Frisco proper is a good earner and capable of much greater development, but was never strong enough to assume the burden of New Orleans, Texas & Mexico. Commerce Commission reports to Congress that Co. was compelled to carry a fictitious indebtedness of $40,000,000 created by commissions paid bankers and brokers for sale of securities and by profits to promoters of branch lines. Chairman Yoakum made $7,000,000 profits for himself and associates as promoter and builder of Texas roads sold to Frisco at prices above value.

Texas Co.—NEW GAS WELL recently struck in De Soto parish, La., at depth of 2,850 ft. develops a pressure of 1,400 lbs. with open flow of 50,000,000 cu. ft. daily. This well is in new gas territory and opens a wide field for gas drilling. Co. is now operating all its refineries at Port Arthur with gas from this well, pressure being strong enough to force the gas 200 miles without compression.

Texas & Pacific.—NORMAL BUSINESS is again shown for 4 mos. ended Nov. 1, after a most unfavorable yr. with heavy expense and traffic interruptions resulting from floods. Maintenance expenditures are now back to normal. Gross earnings for 4 mos. were $140 ahead of 1912, but gain in net was $525,000, or 56% more than prev. yr.

Toledo, St. Louis & Western.—EXTRA DIVIDEND of $282,000 from the Detroit-Toledo Short Line has enabled Co. to show surplus for 4 mos. of $340,000 against a deficit of $63,000 last yr. Without this div. balance would have been $58,000. Transportation costs took 34% of gross against 33% prev. yr. Co. needs additional equipment and it is likely that cars and perhaps locomotives may be bought this yr.

Underwood Typewriter. — DIVIDEND on com. was declared at old rate of 4%, although some time ago it was stated that increase might soon be made. Net earnings for 1912 were 16.3% on com., an increase over 1911 of 5.3%. Tariff is said to be having little effect on earnings and per cent. on com. for 1913 will probably be about 20%. Increase in divs. is still hoped for.

Union Bag & Paper.—NEW TARIFF has benefited Co., with lower duties on paper and pulp, permitting free pulp from Canadian mills, but saving expenses on imports of grades of paper not manufactured and used for special types of bags. Earnings current fiscal yr. ending Jan. 31, 1914, promise to exceed prev. yr. Since middle of 1913 prices have held steady and are now about 15% over last yr. Co. has 17 paper and pulp mills in operation at capacity. Some mills were shut down in 1912 and are still closed. Last fiscal yr. Co. reported deficit of $287,000 after 3% divs. on pfd. stock.

Union Pacific.—HEAVY TRAFFIC in inter-mountain states. Oct. was biggest mo. in Co.'s history, exceeding 1912 by large margin and Nov. was about as good. Co. has kept up its maintenance and most discrepancies between gross and net have been due to liberal expenditures of this time. Director Winchell says, "It is one of finest properties I ever saw and we are handling all the business we can comfortably. I expect heavy traffic to continue. Never saw agricultural conditions better at this season. Promise for wheat is very encouraging. Farmers are buying back live stock because grazing is so good. Practically no emigration from drought sections [illegible]

Union Switch & Sig[illegible]na[illegible].—MELON PRO[illegible]PECTS are uncert[illegible] Earnings are perh[illegible]ps sufficient to wa[illegible]nt a melon, but the board is divided on subject and probably no action will be taken in the immediate future.

United Cigar Stores.—SALES first 10 mos. of 1913 were $2,625,000 over 1912 and Co. will show 10% on stock from tobacco sales alone. Profits of real estate operations are over $750,000 for yr. and directors

may declare extra div. at next meeting. Although Co. was not permitted to purchase Riker-Hegeman Drug Stores direct, George J. Whelan and associates bought controlling interest and United Cigar methods will be introduced in the drug store chain of 93 stores. Drug Co. is now paying 4% on its com. stock and will earn this yr. between 12% and 15%. Average of 3 new stores monthly have been opened during 1913. In regard to anti-trust law, prominent interest in Cigar Co. says, "We have between 800 and 1,000 stores. There are 660,000 retailers of tobacco goods in this country, which means that we have less than ⅙ of 1% of retail stores."

United Drug.—SALES past quarter over 50% above last yr. Within 5 yrs. Pres. Liggett believes Co. will have 14,000 retail stores in its chain, or double present number. Pfd. stock is paying 7% and com. stock 8%. Business has grown from $61,000 in 1904 to $15,000,000. Total stock $7,300,000, mostly held by retail druggists.

United Fruit.—EFFICIENCY OF ORGANIZATION is shown by fact that Co. sold in yr. ended Sept. 30 $25,000,000 of bananas in U. S. at cost of less than 5% and loss in bad debts of less than ½%. Co. is now purely an operating proposition, sub. Co. system having disappeared with absorption of Elders & Fyffes, Ltd., the English Co. Prospect is that raw sugar may show advancing tendency during 1914, in which case Co. would make better showing on sugar operations than last yr., when only 7.3% of total income came from sugar department against 42.9% for 1912, 12.7% in 1911, and 33.2% in 1910.

United Light & Railways.—EARNINGS for yr. ended Sept. 30 were 7.4% on the $6,283,000 com. stock. Increase over prev. yr. was 14.1% in gross, 13.6% in expenses and 14.8% in net.

U. S. Rubber.—EARNINGS quarter ended Sept. 30 estimated at $597,000 and surplus at $16,872,000. Proceeds of issue of $9,422,000 additional 8% 1st pfd. stock are to be used in connection with increase of investments in crude rubber plantations in Sumatra and for working capital. Co. has acquired 11 estates in Sumatra, about 87,500 acres. These are being planted with rubber trees. About 11,000 coolies are employed and 34,000 acres have already been planted. About $4,000,000 has been expended there and over $2,000,000 more will be expended before substantial returns are received. A disused plant at Providence, R. I., has been altered and enlarged for use of Revere Rubber Co. at cost of $1,500,000, doubling capacity of this Co. Morgan & Wright Tire Plant is being doubled at cost of about $2,000,000. Co. will in future publish semi-annual consolidated income acct. and consolidated balance sheet.

U. S. Steel.—EXPORT BUSINESS is gratifying. Expected invasion of foreign steel has not materialized and American producers are still competing successfully in foreign markets, notwithstanding that European makers have reduced prices. Bookings in Nov. were 59% of capacity against 47% capacity in Oct. There is decrease in cancellations on which no statistics are recorded. Under trade customs an order is not really binding until actually specified against. Following table of shipments and bookings is of interest:

	1913		1912	
	Shipments %	Bookings %	Shipments %	Bookings %
Jan.	98	89	70	95
Feb.	98	92	78	85
Mar.	93	77	85	68
Apr.	93	51	92	124
May	95	41	93	101
June	93	47	94	99
July	90	55	82	95
Aug.	90	75	92	110
Sept.	92	74	98	135
Oct.	87	47	98	187
Nov.	70	59	96	120
Dec.	—	—	97	104

Virginian Railway.—ANNUAL REPORT for yr. ended June 30 shows total income $2,603,000 against $1,764,000 prev. yr.; surplus after charges $1,018,000 against deficit of $748,000 prev. yr.

Virginia Railway & Power.—BALANCE FOR COMMON earned in 4 mos. ended Oct. 31 was at yrly. rate of 5¾% against div. requirements of 3%.

Vulcan Detinning.—NET LOSS on operations for quarter ended Sept. 30 was $30,000. Co.'s statement discusses history of litigation with Am. Can, but says nothing about any better prospects for future.

Wabash. — STATEMENT OF DEFAULT has been filed in Federal Court at St. Louis on bonds and interest aggregating $44,830,000. It is expected that with any fair improvement in financial situation the reorganization can be accomplished this winter. Traffic is falling off, decrease for 3 weeks of Nov. being 7.2% from last yr. and from July 1 to Nov. 21 2.6%. Officials say outlook is not as discouraging as these figures would indicate, as a big wheat crop is waiting to be moved and up to date this movement has hardly begun. Farmers are holding for higher prices and storage of wheat along lines is now double usual quantity.

Western Electric.—GROSS BUSINESS for 1913 will probably exceed $76,000,000 against $71,727,000 in 1912, which was a high record. Outlook for 1914 is much in doubt, owing to business recession. If government ownership of telephone Cos. should come, Co. would probably suffer, as government would not place orders for apparatus entirely with any one concern, as is now the case.

Western Maryland. — ABNORMAL MAINTENANCE, above that usually nec-

essary, will amount in current fiscal yr. to about $400,000, in addition to $600,000 excess last year. Also it was found necessary to charge out about $400,000 against discarded equipment and abandoned property. Practically the whole 167 miles of road has been rebuilt. About 57 miles of 90 lb. rail and 200,000 new ties have been laid and every ft. of track has been lifted, faced, surfaced, and heavily ballasted with crushed rock. Extensive new terminal facilities have been installed at Baltimore, Hagerstown, Cumberland and other points. New round houses and shops have been built. Over 100 locomotives have been rebuilt and others repaired and equipment overhauled. Everything is being brought up to trunk line standard. After Jan. 1 nothing is expected to prevent full operations in connection with Pittsburg & Lake Erie. Problem will be to secure traffic over this route, which may be slow.

Western Pacific.—NET EARNINGS current fiscal yr. are expected to be about $2,000,000, against $1,383,000 last fiscal yr. This would reduce deficit from operations to $2,000,000 against $3,281,000 in 1913. Weakness of road is in lack of branch lines and feeders. It runs through a country which has potentialities, but as yet is largely undeveloped.

Western Union.—GAIN IN GROSS 5 mos. ended Nov. 30 was at rate of 5%. Business recession has cut down the rate of gain. Cable traffic forms only 10% of total revenues of Co. Last fiscal yr. rate of growth over prev. yr. was 11%.

Westinghouse Electric.—FORCES REDUCED 15% to 20% as result of decreased orders. However, Co. has on hand orders to last through remainder of fiscal yr. which ends Mar. 31.

Willys-Overland. — CURRENT BUSINESS is at rate of 45,000 to 50,000 cars yrly. Yr. ended June 30, 1913, production was over 33,000 cars and net profits were $5,500,000 or 110% on the pfd., a security owned by private investors. Co. is second largest producer in U. S. Oct. business was 69½% over 1912 and Nov. 31% over. Pres. Willys says, "While business conditions in the East may not be ideal, I am sure better times are not very far ahead."

Wheeling & Lake Erie.—EQUIPMENT SHORTAGE last yr. was offset by use of equipment of other roads which, under per diem rates, cost Co. $325,000, equal to interest on cost of 6,500 modern cars of large capacity. Between June 30, 1908 and 1913, Co.'s cars decreased 36% and locomotives 14%, not a single new car or locomotive being received in that period, but ton miles of freight increased 35%. Nevertheless, transportation costs were kept below 30% of gross, which seems to indicate that property would thrive if properly reorganized. Since June 30, 1,500 cars and 20 locomotives have been received and placed in service. (Note—This completes the incomplete statement on page 475 of our October issue.)

Woolworth.—PROBABLE EARNINGS on pfd. for 1913 about 40% against 35% in 1912. The $50,000,000 com. stock represents capitalized earning power balanced on assets' side only by good will. Balance for com. in 1913 will probably be 10%.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

Anaconda-Amalgamated. — ANACONDA will close 1913 with total from reduction plants of 275,000,000 lbs. copper against 294,474,000 in 1912. Allowing for custom ore, net production from Anaconda mines would be 245,000,000 lbs. The cost of producing is higher than in 1912. Assuming 10½c. a lb. and allowing average price of copper for yr., earnings should be $12,000,000, or $2.80 per share. Directors of Anaconda met for div. action latter part of Dec. Regular divs. probable. Anaconda div., as well as Amalgamated, is safe as long as copper holds above 15c. a lb. Amalgamated div. action in Jan.

Braden.—NOV. PRODUCTION 1,592,000 lbs. of copper against 2,000,000 lbs. in Oct. The total for 11 mos. to Nov. 30 was 15,976,000 lbs. against 8,492,000 lbs. in the same time last yr.

Calumet & Arizona.—REGULAR QUARTERLY DIV. of $1.25 a share. This will make $5 a share paid this yr., or $2,995,040. Last yr. $4.25. Since incorporation, Co. has paid $71.75 a share, or total of $19,219,462. Co. produced its copper last yr. at a gross cost of 8.56c. and Sup. & Pitts. at 6.33c., a combined average of 7.02c. a lb. Cos. together must now have a surplus of more than $5,000,000 with which to pay for controlling interest in the New Cornelia Co., recently taken over.

Calumet & Hecla.—QUARTERLY DIV. $6 per share. Three mos. ago $6 was declared, a yr. ago $12. With payment of the $6 div. just declared, stockholders will have received $123,250,000 in divs. since formation of Co. Div. is payable Dec. 20, to stock of record Nov. 26.

Chino.—Of $2,500,000 original issue of conv. bonds, there are but $252,000 now outstanding. Exchange of these bonds for stock has been very general, as stock is selling above the conversion price. The stock received in exchange for bonds pays $120 a yr., against $60 for the bondholders. A $1,000 bond is exchangeable into 40 shares of stock.

Consolidated Coppermines.—GEN. MANAGER GRAY says recently there have been added to reserves about 2,000,000 tons of porphyry ore running 1.7% copper. In the "Morris workings," there is a big porphyry deposit. Stripping has been done 900 ft. long by 600 ft. in width. To a depth of 255 ft. this plot contains 4,000,000 tons of 1.8% copper ore. Co. has extended time for exchange of shares of the merged Cos., and left to discretion of Pres. Rand. Consolidated Co. now owns 89% of Giroux, 97% of Coppermines, 93% of Chainman and 73% of Butte & Ely.

Copper Range.—PASSED quarterly div. due at this time, because of strike since July 23. First break in Co.'s record since divs. were inaugurated in 1905. Payments that yr. totaled $4 per share and up to present time have amounted to $36.25 per share, or more than present price of stock. Largest payment in any 1 yr. was in 1906 and 1907 when $6 per share was paid. In 1912, $2; 1913, $2.75.

East Butte.—CO. REPORTS:

	Lbs. Copper.	Ozs. Silver.	Ozs. Gold.
6 mos.	7,870,445	253,637	6,714
July	1,006,257	40,437	779
Aug.	1,162,007	51,418	410
Sept.	1,233,018	53,847	338
Oct.	1,040,997	39,203	328
10 mos.	12,312,724	438,542	8,569

Goldfield Consol.—DURING OCT. Co. produced 30,486 tons, netting $146,918. Development work during Oct. approximated 3,088 ft. costing $5.52 a ft. Gen. Manager Burch says no additions of importance were made to ore bodies, although there was improvement in size and value toward end of the mo. Combination mine development yielded no pay ore. From Mohawk there was produced in development 142 tons of $8 and 52 tons of $12 ore. In another section 135 tons of $10 ore and 17 tons of $12 ore were also secured. Red Top-Laguna development work was small and unimportant in results. No ore bodies of commercial size came from the Clermont-Jumbo development. Preliminary official figures for Nov., 1913, show 28,927 tons of ore mined, with net realization of $168,000.

Granby Consol.—CO. WILL DISBURSE usual $1½ per share, which calls for $224,850, and is the fourth payment of such sum made this yr. The $6 div. calls for payment of $898,600, bringing the total div. record to date to $4,812,230. Net earnings in Oct. were $90,000, or at the rate of $7 a share on capitalization. Co. is producing copper at cost of 10c. a lb.

Hollinger (Porcupine).—GROSS PROFITS for 4 wks. ended Nov. 4 totaled $124,995. Profits from Jan. 1 to that date were $1,395,773, while there was brought forward from 1912, $351,802. Div. payments this yr. total $990,000. In the 4 wks.' period ore treated averaged $15.07 a ton.

La Rose.—PROFITS FOR OCT. were $67,927, against $72,530 for Sept. Production totaled 203,454 ozs. silver, compared with 200,297 in preceding mo. Co. declared regular quarterly div. of 2½% and a "bonus" of 2% payable Jan. 20 to stock of record Dec. 31. This makes 12% for the yr. Surplus Nov. 30 was $1,772,161, of which $1,621,801 was in cash. Nov. production was 194,882 ozs. of silver, valued at $110,931. Profit for the mo. $70,424.

Mason Valley.—QUARTERLY STATEMENT for 3 mos. ended Sept. 30 was distressingly poor, showing a deficit (after bond interest) of $12,793, against profit for the June 30 quarter of $44,551, and a profit for the Mar. 31 quarter of $73,517. Gross profits were only a little over $33,000, as compared with $114,000 for the 3 mos. ended Mar. 31.

Miami Copper. — OUTPUT THIS YR. will be about 32,500,000 lbs., which is about same as last yr. Important changes are in process or planned, which, it is estimated, will enable output to show increase of 33⅓% over present figures. On this basis, estimated production for 1914 is 42,000,000 lbs.

Nevada Consol. — CO. PRODUCED as follows:

	1913.	1912.
6 mos.	32,452,311	35,670,457
July	5,403,919	6,084,274
Aug.	5,989,973	6,551,030
Sept.	4,441,671	5,607,578
Oct.	5,898,046	850,741
10 mos.	54,185,920	54,764,080

Nipissing. — STOCK AROUND $8 a share, paying $1½ a yr. in divs. Makes investment return between 18% and 19%. The security is enormous ore reserves, huge treasury surplus, and a vast unprospected acreage of very great potentialities. Earnings are running better than $2 per share yrly., and an early increase in div. possible.

North Butte.—PRODUCTION may be placed at rate of about 25,000,000 lbs. yrly. The average price of electro. copper for first 10 mos. of this yr. was 15.54c. Average cost after crediting gold and silver values,

during past 3 yrs., 9.994c. per lb.; but gradually fell from 10.35c. to 9.65c. New contract, under which Co. hires ores smelted instead of selling them, is expected to make a substantial saving. Even cost at 10c., however, with 15.54c. for copper, should mean profits of about $1,385,000, equivalent to $3.38 per share. Figuring on present price of electrolytic, the stock should earn at rate of $2.90. Co. has immensely increased working cash capital, and last annual report stated that Co. had a larger tonnage of ore blocked out than at any previous time in its history.

Quincy. — DIRECTORS PASSED DIV. First break in Co.'s 50-yr. div. record. Treas. Paul informs stockholders that it was deemed inadvisable at this time to declare a div., in view of strike conditions at the mine and expenditures entailed. Three mos. ago $1 was declared, a yr. ago $1.25. The Co.'s div. record for 10 yrs. follows: 1913, $3.75; 1912, $5; 1911, $4; 1910, $5; 1909, $4; 1908, $4.50; 1907, $13.50; 1906, $12.50; 1905, $6; 1904, $5.

Ray Consol.—OCT. PRODUCTION was 4,871,000 lbs., a new high figure by 250,000 lbs. For 10 mos. of this yr. Co. produced 43,612,000 lbs., against 28,953,000 in 1912, a gain of just 50%. Figures are the best answer to any criticism made. Ray produced 4,925,000 lbs. in Nov. Cost of production increased to 10.1c. a lb. in the June 30 quarter, but by end of Dec. expected to be 9½c. once more.

Shannon Copper.—REPORT for quarter ended Sept. 30, 1913, shows production 3,362,157 lbs. copper, 628 ozs. gold and 25,387 ozs. silver. Average price received for copper was 15.547c., against 15.106c. for preceding quarter. Cost per lb. was 13.833c., compared with 14.434c. in preceding quarter. Co. earned $66,339, compared with $28,720 in preceding quarter. Co. treated 67,628 tons Shannon ore, and 12,705 tons of ore from outside properties. Sept. 30 the consolidated quick assets were $480,123, and current liabilities $135,848, or $344,275 net quick assets above current liabilities, an increase of $64,569 over preceding quarter, not including the $244,000 Railway Co. bonds which Shannon Co. owns.

Tennessee Copper. — CO. HAS PAID OFF $200,000 of its bonded indebtedness. Within last 3 yrs. has reduced bonded debt by $500,000, leaving $1,000,000 5% bonds in hands of public. Co. set aside $350,000 for bond redemption and depreciation, equal to 7% on capitalization. Production for Nov. was 1,688,000 lbs., the largest output of its own copper in history of Co. Copper last yr. cost 11c., but this was reduced to about 7c. by large profits on sulphuric acid production, custom ore treatment and merchandising. Net profits amounted to $1,095,875 after depreciation and interest, and after setting aside special reserve of $150,000. Directors declared a quarterly div. of 75c., making $3.75 a share this yr., making total $19.75 a share, or $3,856,250 in divs. since Co. was organized.

Utah Copper-Nevada Consol.—REPORT OF UTAH COPPER for quarter ended Sept. 30, 1913, shows production 32,287,428 lbs. of copper at cost of 9.068c. per lb., compared with 31,785,448 lbs. and 8.933c. cost for second quarter. Net earnings $2,206,399 against $2,218,753 in previous quarter, earnings being based on average of 15c. per lb. for copper in both quarters. Surplus after divs. of $1,186,695 was $1,019,704. With miscellaneous earnings credited, net cost of copper was 8.187c. Nevada Consol. milled 813,153 tons of ore during quarter ending Sept. 30, compared with 762,880 tons in prev. quarter. The grade of ore treated averaged 1.53% compared with 1.76% for prev. quarter. The grade is lower because of necessity of mining at this time of yr. ores from bottom of the pits and not accessible during winter mos. The cost, including the Steptoe plant depreciation and all charges except ore extinguishment, was 10.09c. per lb., compared with 8.95c. for second quarter and 8.33c. for last fiscal yr. Copper on hand and in transit, sold and unsold, at end of quarter was 1,958,859 lbs. inventoried at 13.615c. Earnings for quarter were based on 15.081c., slightly higher than price realized for copper delivered during the quarter.

Mining Notes.—COPPER PRODUCERS' statement, in thousands of lbs.:

	Nov., '13	Oct., '13	Nov., '12
Stks. prev. mo.	32,566	29,793	76,744
Production	134,087	139,070	134,695
Total	166,654	168,863	211,440
D'm'stic del.	48,656	68,173	69,369
Exports	70,067	68,123	55,906
Total consp.	118,724	136,297	125,276
Stks. rem'n'g.	47,929	36,566	86,164

For wk. ending Dec. 11, copper exports totaled 3,245 tons. Since Dec. 1, they were 9,816 tons; a yr. ago, 11,734.

Keeping Track of Interest Due

A Convenient Form for Holders of Miscellaneous Securities

PROMPTNESS in depositing bond coupons for collection is of course very desirable, as otherwise a certain amount of interest is lost while the money in the uncollected coupons is lying idle. It is also a convenience to know just when dividends on stocks will be available for reinvestment.

The form shown herewith is simple and useful. The first column is for the number of bonds or shares held, the second for the name of the security, and the third gives the total annual income. When this third column is totaled at the bottom, it shows how much income the owner will receive from all investments each year.

The third column is for the day of the month on which the interest is due, and it is well to note also the approximate date of dividend checks, though that, of course, may vary somewhat. Next come the date of purchase and the price paid, which the holder will often wish to consult when he is considering selling any security or transferring his money into something else.

Under each month in the remaining columns is inserted the amount due from each security, and these columns when totaled at the bottom of the page show the monthly income of the investor.

Many investors are in the habit of keeping each security owned on a separate page of a memorandum book. The advantage of having them all together and arranged in accordance with this form are at once evident. Systematic arrangement of all details connected with investments saves a good deal of time in the aggregate, and it is a habit easily acquired.

Bonds or Shares	NAME OF SECURITY	Annual Income	Interest Payable	PURCHASE		Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
				Date	Price												
	[illegible]																

TRADERS DEPARTMENT

SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes

The Man Behind the Method

By THOMAS L. SEXSMITH

[This article contains an unusual amount of mature and well-considered wisdom for the trader in stocks. If the public could only be brought to understand and realize the points here brought out, it would mean a new era in speculation and a great public benefit. Fortunately, progress is being made in that direction. Don't fail to read the article, whether you are a stock trader or not.—THE EDITOR.]

EVERY man who is interested in the stock market either as a business or avocation very naturally expects to take money out of it. How may this be best accomplished? We know that no one ever made money continuously in any line of endeavor without a plan of action more or less definitely clear in his own mind and resolutely carried out. Knowing this to be true, the livest and most interesting problem that confronts the market student of today is,

"How may I develop a definite method of operation which I can successfully apply to my own trading in stocks and which may be reasonably expected to yield average profits in excess of losses and expenses, at the same time requiring only limited capital and that in keeping with return expected?"

Note that the question does not involve debate as to whether or not it is possible to develop a profitable plan of trading. Many of such plans are easily available, but emphasis is placed on the adaptability of the method to the qualifications of the trader himself. That is important.

From a personal investigation I know that more than half of the people who operate in the market eventually lose money. This experience of mine confirms popular opinion. At the same time I have never yet observed a single case of failure in the market that resulted from any other cause except the utter incompetence of the trader to understand and appreciate the first rudiments of the business of stock speculation.

As a rule the public loses money in what it is pleased to call "Wall Street." And it may be taken as a maxim that the public will continue to lose its money in the same place and in the same way until that time arrives when the public begins to understand that the business of operating continuously in the stock market is a highly technical occupation requiring years of studious preparation and some actual experience before one is qualified, no matter how large his capital or resources, to profitably engage in it as a business proposition.

There are ways in which a man who has idle money may use the stock market to his great benefit even though he may be without much knowledge of or experience in the market himself. Marginal speculation is not, however, one of the ways I have in mind as I write this, and a survey of some of the methods he might use belongs quite properly to another article.

The great need of the beginner in

Wall Street is not so much a knowledge of methods or plans of trading as it is access to the advice and guidance of some one competent, through equipment and experience, to teach him at least the elementary facts about the technique of price movement, analysis of reports, earnings, dividend requirements, stock market history, etc. There are, I am pleased to state, a number of worthy men, whose advice may be had today for reasonable fees, who are eminently qualified to give to the beginner just the kind of guidance he needs so much. And, furthermore, these men are not only competent but conscientious to a degree, as well.

To know what to do and how and when to do it, is the essential thing! All over the wide world today what is the one most effective remedy in the task of altering wrong and evil conditions? Is it not education? What causes a human being to do the wrong thing at the wrong time and to keep doing it over and over again to his everlasting loss? Inability to know how and when to do the right thing. Teaching how to do the right thing at the right time is true education, and education means progress and success!

Now, when in the course of this article, I speak of stock speculation, I mean the operations of those traders who have given and are still giving earnest study to that which is engaging both their time and capital. It is folly and unfair to attempt to describe the unguided operations of any others in the market as speculation, because speculation is in itself a science requiring a fine technical knowledge from those that undertake to practice it, while stock dealing without this knowledge has no more dignity than any other vehicle of chance. It is the clear understanding of this essential difference which will enable one to distinguish the stock speculator from the stock gambler.

* * *

THE education of the speculator in stocks has two ends in view; first, the training of the speculator himself; second, the development of a plan of trading suited to his temperament, opportunities and resources.

Of these two, the first is of greater importance because without proper control of his own mind no man can operate *any* plan successfully. The right kind of education gives this self control of mind which is so necessary.

In speaking of a certain very valuable plan of trading perfected by a friend of mine whom I regard as representative of the newer type of the highly successful student-trader, he said:

"The plan looks so simple and sure that you wonder why thousands do not use it. Why? The human mind has such variableness that not one in twenty will succeed with *any* plan."

And he is right. I have examined a goodly number of plans of trading, and I know of several which without doubt are good and, properly operated, are quite certain to make profits as long as present market practices are continued; yet I number only a few in my circle of personal acquaintances who are actually using any of these definite plans. But I have slender facilities for meeting this class of traders, and my opinion, based largely on my reading, is that there are many such, and their number is constantly increasing.

Yet it is not so much the method as it is "the man behind the method" upon which hinges success or failure. The latter disposes of the first, since if the man is fitted for the business he is engaged in, he will not be long in discovering and correcting the weak parts of any method he may begin with.

Let any man who may read this article and who at the present time is unsuccessfully speculating in stocks, ask himself, in all frankness, this question:

"What have I done towards fitting myself to engage in this, one of the biggest and most important businesses in the world?"

Let him contrast the time he has spent at mastering the business or profession in which he made the money he is now using to finance his operations in stocks with that he has given to preparation for the business of stock speculation. Then he will remember, also, that he learned the principles of his original business through intimate contact for many years with those who knew the business "from the ground up" and, doubtlessly, on countless occasions, when doubt of

proper policy perplexed his mind, he had recourse to the wise counsel of those who knew from training and experience the proper course to pursue. Self-examination of this kind is a good thing—it stimulates thought, and anything that does as much for us, must be good.

In order that he may have the mental freedom needed for clear thinking, my advice to him is to close out whatever lines of stock he may be carrying at the first good opportunity. The next thing to do is to take stock of himself—make a mental inventory of his trading equipment.

First of all, has he the proper temperament for speculation? Some may never become successful speculators for the very excellent reason that they cannot curb their anxiety once they have entered into a trade, and have not the moral courage or stability (mind control) to act or refrain from action, as the occasion demands, when reason or plan, which is no more than reason tabulated, directs. Such should leave speculation of any kind alone, or trade, if in stocks, only in very small lots until they have convinced themselves that they have overcome their wrong tendencies.

* * *

THESE things determined, and then comes the real work of preparation. Obtain all the literature relating to stocks and price movement that is offered. To the readers of THE MAGAZINE OF WALL STREET this is a simple task. There is much that is good already printed and available in book form, and of course there is some that has little practical value, but the work of separating the wheat from the chaff is in itself a part of the education of the speculator.

In addition, seek out one who is qualified to give personal advice of the kind needed. Rarely will the one sought be found before the board or beside the ticker at a broker's office. Nor will he be found in the person of the old time "tipster," whose type, happily, is about extinct nowadays. But eventually the diligent seeker after knowledge will succeed in locating one qualified and willing to help him.

To me the study of speculation and investment in stock market securities is one of the most intensely interesting occupations I know of. I may find this so because of my temperament. Others may find study of this subject very dull and uninteresting. Still others find any kind of intensive examination and analysis useless and tiresome, but to such success seldom comes. If it does, it is through acident. As a rule, we succeed best at that which we like best. Where the heart is, the mind finds delight and contentment.

Stock speculation, then, is for those who like it. He who can bring to it no other interest besides the naked desire to make some easy money had better keep out of it. There is little "easy money" to be had in Wall Street. Even "insiders," as we are wont to call some of the larger and more powerful operators, give the time and trouble to learn the business before taking it up, and they remain at it long after they have "made their pile" not only because they obtain a certain pleasure from the mere making of profits, but as well because they like it.

We of the public must know that we, too, like the business and are willing to thoroughly prepare ourselves for it.

* * *

TO the man in earnest who would become a successful speculator I have this to say: As soon as you are ready to operate with intelligence, you will find *your* plan. It will grow within you as you yourself grow, developing and perfecting itself as you gain power and mastery over yourself. And you will find that during your period of evolution from failure to success it will be the things you will learn *not to do,* and the common (and because common, *wrong*) tendencies you will gain the willpower to overcome, that will eventually contribute more towards your ultimate success than the things you will learn to do.

And this article has been, in the main, quite useless if it has not helped to convey clearly to the mind of the reader the pivotal idea that it is one thing to lay down a set of rules to go by, and another to follow them out courageously. The power to do that comes only through proper training of one's self. If you want success, then, begin now to work for it. Speculation in stocks is a serious business, demanding at all times the best we have within us.

Getting an Education in Stocks

A Leading Physician Relates His Experience

By "L. M. D."

(Continued from December Issue.)

FINALLY, I took all my profits and all the money that I could scrape together and gave them in charge of my old and trusted friend. His "information" seemed absolute. Went out of town one day and when I returned, a note on my desk told me that my bank had called me up because a check I had deposited had been returned. It was one of $700 for my last three days' profit from "my old friend."

I went over to see him. His wife was in a frenzy—she hadn't seen him since last night. I took it to his bank to be certified. They smiled at me—I was stung. He—my old friend—had skipped, taking every dollar that I had entrusted to him.

The temptation was too great. I believe that he took everything—his money and mine, too, in an endeavor to make a grand coup, but was "double-crossed" himself.

That was a solar-plexus blow enough to put some people in a sanitarium, but I am thankful to say I kept going. I was stripped of all my savings.

* * *

THREE years went by. I got together $1,200, and invested it on the "scale system," buying 10 Amalgamated Copper at each point up or down and selling out at a point profit.

This is a beautiful theory, but it requires a superhuman effort not to sell out everything just at the wrong time, when you have accumulated 100 shares and a bottomless abyss seems to yawn before you. This is what I did, although I had worked my $1,200 to $1,400. Then the market broke and I accumulated a lot of stock at each point down and got scared and sold it all out at the bottom.

So my $1,400 was now $500, when a ray of sunshine appeared over the horizon of this lurid hard-luck tale. Copper had had a big break and everybody was predicting 40 for it. It loaned "flat" and acted better than the market. A call on 100 Copper 3 points up for 28 days was offered me for $100. I had never traded in papers but I bought it. In three days Copper touched the call price.

I formed the theory that Copper, despite all the bear talk, was in for a rise. I bought another call on 100 Copper 3 up. The market advanced and I bought 100 Copper and 100 more when it went through its former high point.

Pretty slim margins, but Copper did not react. I had the fever for fair. Bought more calls and they became good as the call price was reached and before I realized it I was long of 1,100 shares of Copper. Quite some for a "little piker."

I made a "learned prognostication" of the future course of Amalgamated Copper and wrote in my little note book that if Copper touched par it would probably go to 102 or 103, because lots of shorts would be run in at par or slightly above, and that would give it a further little boost. That was where I put in my order to sell.

But it didn't get quite so far. It touched 96 and I sold out mine between 93 and 94, giving me a balance on my broker's books of $9,000, where six weeks before I only had $500.

But I lost my head. I was now ahead of the game. Instead of quitting and "cooling off" I bought every paper offered to me. I was the star customer and much sought after by the put and call men. My account dwindled rapidly. Three or four hundred dollars a day for papers that weren't worth a cent made a rapid hole in my little pile.

Then I said to myself, "the bull market is over, we are now in for a good decline," and I sold short 100 Union Pacific at 198, 100 at 200 and 100 at

202. At 204 I got scared and covered the whole amount. It hardly advanced ⅝ of a point more and in six weeks had dropped 30 points.

My broker sadly said to me, "I was watching you. You seemed to have learned the game a little. If you had only not gotten cold feet and had stuck to your position you would have made a small fortune." It is the hardest thing in the world to keep money when you make it fast that way. Very few can do it. It unbalances you, it destroys your poise, it warps your natural caution.

* * *

THE broker was right in one thing, I have learned something—at least I hope I have. Experience is the best teacher, and if I can absorb the lessons that have been dealt out to me so lavishly, I will have learned:

THAT insiders never overlook any bargains.

THAT 4 per cent. dividend payers selling at 58 are seldom "gilt edged."

THAT an elegant suite of offices and seductive advertisements are not an absolute indication that the broker is safe.

THAT market letters may be all right for awhile, but the more correct they are, the more you will get to lean on them like a crutch, and the harder will be your fall when they get on the wrong track.

THAT "inside information" is sometimes very good and sometimes very bad.

THAT it is unwise to trust anybody to handle your money.

THAT there is a time to get into the market and a time to stay out, and if a fellow will wait for these panics or semi panics and will then buy tried and tested dividend-paying stocks that have been depressed in sympathy with the market, he will stand a good chance of adding to his surplus two or three times a year or perhaps oftener; but it is absolutely necessary to trade either through your bank or with an absolutely reliable non-speculating brokerage firm.

When you get a college education you have got to pay for it. I did for mine and I am now wondering with an inherited optimism if I can view my Wall Street experiences from that same standpoint and capitalize them later.

Frankly, I think I can. There is so much bosh and rubbish published about Wall Street trading that it seems almost safe to say that if 90 per cent. of it were consigned to the waste basket the average trader would be better off.

I have found a few articles that I considered very practical and very helpful. "Profits out of Panics," published in THE TICKER (now THE MAGAZINE OF WALL STREET) some years ago, caused me to subscribe. That was the best I ever read; then the "Bargain Indicator," published in the same magazine after the 1907 panic was wonderfully helpful to any speculator, and if the advice then given had been acted upon, a life subscription would have been small payment for the information and practical advice received.

Lastly "The Story of a Successful Small Investor," published in the August number of THE MAGAZINE OF WALL STREET. These can all be read and digested.

* * *

I THINK I can win out. I know that a time will come—not now, probably; maybe several years yet—when at the psychological moment I can put up $2,000 with a reliable house and get in some movement and buy more on the way up, and in a year make a large profit.

My income from my private practice has not been less than $1,000 per month any month this year so far. I am 41 years old and own my house, automobile, have a fair bank account, some money in the savings bank and am fairly well insured. Question is whether I had better let it go at that and be satisfied. What do you think about it? What would you do in my place?

I am afraid that despite what you say or despite what you advise me, I have already made up my mind. I am going to wait for that "psychological moment." I am going to try to diagnose it. Then I am going to buy and pyramid and "let my profits run." I am going to invest $2,000 on a large margin and I am not going to overtrade, but I am going to make money.

Operating in Specialties

By H. H. LAKE

THE experience of most persons in connection with specialties, *i. e.*, special stocks, usually industrials, other than those classified as standard issues, consists mostly of a number of promiscuous random ventures, made without knowledge or preliminary study of the characteristics of the issues chosen, and often representing the blind acceptance of tips to the effect that X. Y. & Z. is slated for an early and unusual rise, such information reaching everybody at some time or other during periods of improving prices.

Often enough to remember these tips prove correct, and it is usually just after missing being in on several good things that the tyro's eagerness is aroused to the point of leading him to accept the next tip, especially if received from the same source—and he profits by experience only, and acquires a few painful memories.

If the reader will concede, or imagine, that most of the spectacular and unaccountable rises of specialties are the result of manipulation, pure and complicated, he will perhaps accept the hypothesis that a study of such manipulation and the methods employed will often give him a means of forecasting the ends sought by the power in control, and consequently the probable action of the stock in question.

One specialty with a buzz-saw reputation which I have bought and sold off and on for years, making some very neat turns, is the stock of the N. Y. Air Brake Co., the ticker symbol for which is AB. If you will listen to your well-meaning broker you will never buy this stock, and in nine cases out of ten he will be right. But in the tenth case—the man who is willing to tackle a tough proposition may study the characteristics of such specialties to advantage.

In one sense the problem is simpler than in the case of a standard stock with a broad market—there is no difficulty in arriving at the balance between the buyers and sellers, and the factor of the action of the law of supply and demand may be considered as a negligible quantity, as it has no immediate effect upon the movement of the stock.

The market action of the stock chosen as an example is peculiarly mystifying to the average watcher. If he follows the stock at all he notes that it does not appear on the tape for days at a time, and it is only very rarely that a sale of perhaps a single lot is recorded during the dull days. Nevertheless the stock while seemingly inactive still follows the general trend of the intermediate swings.

For instance, say the last sale recorded was at 60 and the position of the general list is at the bottom of a decline or setback in the rising market, due to a temporary overbought condition, and amounting to say ten points in Reading and Union and lesser stocks in proportion.

The market livens up and starts out of its lethargy in a resumption of the upward move. The leaders advance four or five points in as many days. Then a sale of AB is recorded at 62, slightly better than the last price made.

The general market broadens and becomes more active and has a further upward move, carrying the leaders say 15 points up from their starting point at the bottom.

The market becomes buoyant. Suddenly a little run of AB appears on the tape, first at 67 (5 points above the previous sale) then immediately following 68, 69, 71, and a final sale before the closing of the day at 72.

Thus it will have accomplished a 12-point rise with very little fuss or feathers, and the full extent of its move will probably have escaped the notice of all save those especially interested in such a seeming dullard.

We may now expect it to lie dormant without sales, or probably several sales at the same figure, throughout the period of distribution in the general list

preceding the next setback, and after that is well on its way AB will open up some day with a setback of 4 to 7 points down from the last sale, thus corresponding to the technical correction of the position of the general market.

Now the man who wanted to put in his order ahead (obtaining bid and asked figures to guide him) to buy at —, and sell at —, using a unit of 50 or 90 shares in order to take advantage of the odd lot service, would have had twelve points in which to guess in and guess out, and allowing two points leeway at each end for error could have had eight or nine points out of the middle. This putting in orders even days ahead of the time when you expect them to be executed is not such a difficult feat when you become familiar with the action of a stock.

For instance, on May 4, 1910, judging that the market was near a top I placed an order to sell short at "73 or better, G. T. C." The stock came out at 71 and made 73 the next day, but it was not until May 16 that it came out at 74, and my sale was reported at 73¾. The next quotation was 73 a day later.

The general market went a little further upward, Union advancing four points higher to its top. No further quotation of AB appeared until May 24, when the stock sold at 74. The next sale was at 71, four days later, and the next sales given in their order ran the price down about like this: 71, 68, 61, 59, the low figure being made on June 6 at the bottom of an active decline in other stocks.

I judged that the downward movement was over for the time being, and entered an order on June 6 to cover at "64 or better, G. T. C." The next sale appeared on the 7th at 63, and my stock was reported at the figure given, 64, netting 9¼ points.

After some shopping around and placing a few orders which were not executed I went long of the stock, getting it at 65 on June 15. The next sales were 66, 69; no sales for three days, then 75, 76 and June 29, 77. Two days later I offered my stock for sale at the market and got 75½ for it, although it sold that day again at 77.

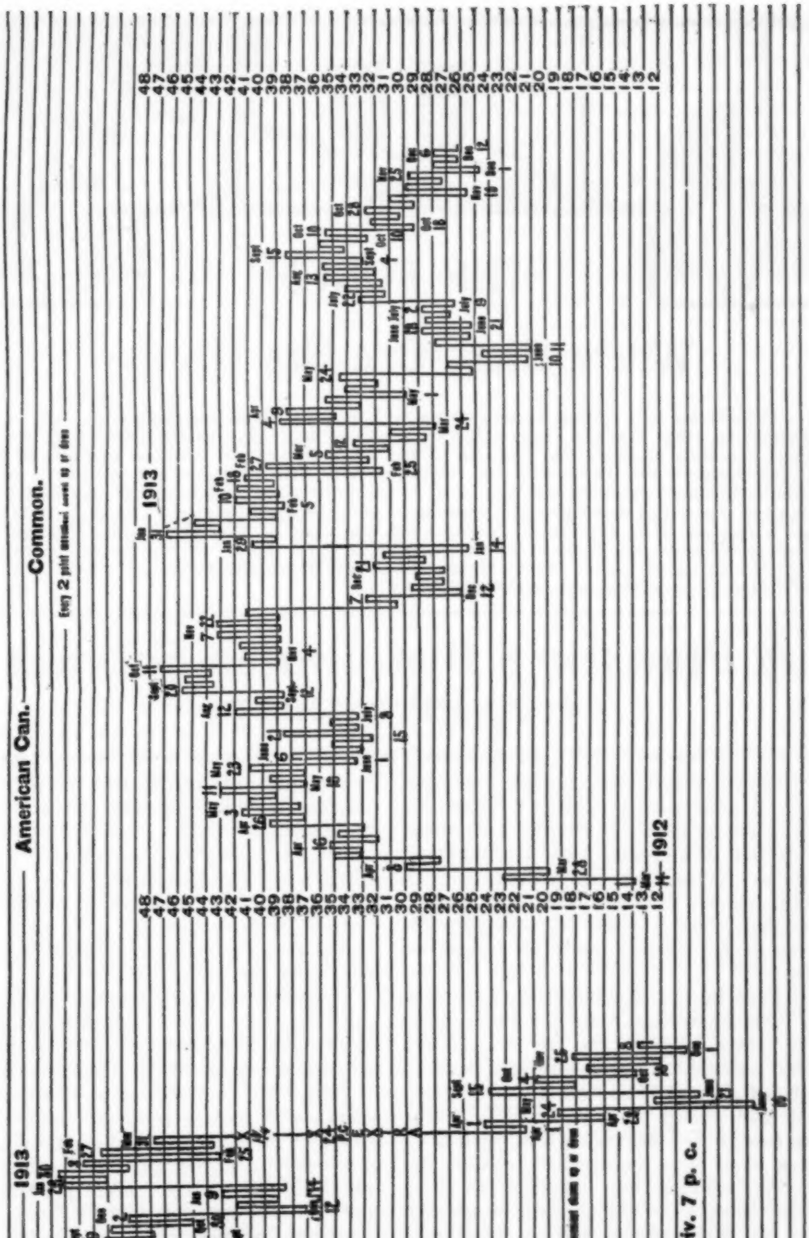
By watching the bid and asked prices you will note that they are often 5 to 10 points apart, such as recently—bid 60; offered, 67, and no sales recorded for some time past. Although this stock has not been dealt in at all lately, neither has the rest of the market to any great extent, and it is now, comparatively, no deader than the rest of the list.

An indication of the possibilities in a stock of this character note the astonishing range of this stock from 1909 up to the present writing, as shown by the following main movements:

97 down to 73—24 points.
73 up to 88—15 points.
88 down to 59—29 points.
59 up to 80—21 points.
80 down to 69—11 points.
69 up to 76—7 points.
76 down to 45—31 points.
45 up to 58—13 points.
58 down to 50—8 points.
50 up to 76—26 points.
76 down to 70—5 points.
70 up to 85—15 points.
85 down to 73—12 points.
73 up to 82—9 points.
82 down to 65—17 points.
65 up to 70—5 points.
70 down to 56—14 points.
56 up to 70—14 points.

Last price recorded up to the time of this writing—69.

I have also employed this method of operation in connection with such stocks as Consolidated Gas, Harvester, and U. S. Realty Co., and have even made money out of Pacific Mail, using them as side lines concurrent with operations in the active market leaders, as they are easily watched, and leave the mind free during most of the time. Of course I have also been beautifully hung up at times, but on the whole my studies of these special stocks have been rewarded with a fair measure of success.


American Can.
Common.
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THE FORUM

Where Every One Has His Say

[We invite our readers to contribute to this department anything that may be of interest to other readers, or to ask any questions in regard to the science of investment, methods of operating, customs of the markets, general financial conditions, etc. If you disagree with us or with any contributors to this magazine, we will gladly print your criticisms (space permitting), and we welcome all suggestions. If you find anything in our pages that especially appeals to you, we shall be glad to know it, so as to get a line on what you want. Never mind the style of your comments—this isn't a literary contest—but please write on one side of paper only. If you desire a personal reply to questions, please enclose stamped and self-addressed envelope. Address, THE FORUM, care of Magazine of Wall Street.]

A Plan for a Distributed Speculative Investment

I HAVE been a subscriber to the Magazine of Wall Street for five or six years and think so much of it that I annually have the monthly numbers bound for permanent use. I have seldom troubled you with correspondence, but I shall be most appreciative of a personal letter in answer to this.

I have been a speculator and investor in Wall Street securities for about fourteen years, and on the whole with decided success. I was so fortunate as to sell out all stocks and securities for myself and clients in August, 1912, near the top of the market at that period. I have since kept persistently out of the market, keeping my resources in short term notes, all of which were reinvested two or three weeks ago in long term bonds. This reinvestment was made, however, merely as a temporary one (bonds seem to me extremely cheap) my ultimate purpose being to reinvest the whole amount in a widely distributed and diversified list of low priced, non-dividend paying common stocks. I am wondering whether we are not in or rapidly approaching the period of time in which such an investment as I have in mind should be made or at least commenced by scale buying. It is upon this matter that I would like your frank judgment and opinion.

I read with great interest your page for November on "The Market Outlook" and have just read with greater interest the same in the December issue.

I have no need of income from investments as I have a profitable office business. I do not care to invest in bonds nor even in high-grade dividend paying rails and industrials. I am planning to put my resources in low priced, non-dividend paying common stocks, the same to be fully paid for and locked up. My investment will be divided among at least thirty stocks in six groups. It is my belief that such an investment by its diversification contains a minimum of

risk and a maximum of opportunity for profit over any other form of investment. Such stocks in past periods have doubled and trebled, whereas on high grade rails an advance of not more than twenty to forty per cent. can reasonably be expected in a long swing.

For diversification I have chosen six groups of stocks as follows:

(1) Railways such as Southern, Erie, Colorado & Southern, Kansas City Southern, and Missouri Pacific.

(2) Railway Equipments such as American Car & Foundry, American Locomotive, Railway Springs, etc.

(3) Steel stocks such as Bethlehem, Crucible and Republic.

(4) Copper and other metal stocks such as Utah, Amalgamated, Smelters, etc.

(5) General manufacturing such as Central Leather, American Wool, etc.

(6) Special manufacturing such as Virginia-Carolina, Goodrich, General Motors, etc.

In each of these groups I have definitely selected five stocks, making a total of thirty stocks. When my investment is once made I expect to hold it and treat it *as a unit* until there may be a long upward swing in the next bull market, whether in one or three or four years. It is my idea to sell out the whole investment at one time as a unit or by the method of a scale up, selling an equal number of shares of each stock at a time.

Now I would like your opinion and judgment upon two points in this matter:

(1) Does this method of investment appeal to your judgment and experience as good and sane from my standpoint as explained above?

(2) In your judgment, considering the whole market, industrial and financial situation, do you believe this the time in which to make such an investment, or do you believe that the investment should be started with one-fourth or one-fifth of the total amount desired and completed on a scale down? Or should I wait a few months longer? In other words, if you were contemplating a large investment in such common stocks, how and when would you go at it?—C. H. W.

I don't know that I can really add very much of value to what I have already said in the last two magazines in "The Market Outlook."

Your plan is a sound one, but it would of course be impossible for any one to fix upon exact time when such purchases should be made or the best possible selection of stocks for the purpose. My own feeling is that it is now time to buy good stocks for investment, whether they pay dividends or not.

I do not believe that the period of business depression, now probably in its early stages, will be very much prolonged. Business has not been in a badly over-extended position at any time since the panic of 1907, and it seems to me that our investment position is now pretty thoroughly liquidated. This does not mean that we may not have further flurries on unexpected bad news, and, as you are aware, I make no effort to locate the exact bottom of the stock market. It means merely that it seems to me prices of good stocks are now low and that the next big swing is likely to be upward.

In regard to your selection of securities, I would prefer to eliminate Colorado Southern because of the rapid rise in its operating ratio from 67.6 per cent. in 1910 to 73.9 per cent. in 1913, even though partly due to maintenance. I would suggest substituting Seaboard preferred, which has just begun the payment of dividends and whose operating ratio dropped from 75 in 1912 to 72.1 in 1913. In your list of Coppers I would suggest including Chino, which I believe has excellent prospects. I am doubtful about the future of American Wool. It seems to me that imports of woolen cloth will tend to keep prices considerably lower than before the reduction of the tariff. Another doubtful stock is Goodrich. It is not impossible that the manufacture of pleasure automobiles has been carried to a temporary excess. I do not believe, however, that this is true of motor trucks.

It might be well, in making your purchases, to first buy stocks of companies where you believe an early improvement is probable, delaying purchases of some of the more doubtful stocks until further evidences of improvement are visible.

Under this plan you will have to face the possibility that one or more of the

corporations whose stocks you buy may encounter special and unforeseen difficulties. For that reason, it seems to me better to purchase only those stocks which appear to be in a really strong position, even though doing this might result in a somewhat narrower distribution of your holdings.—G. C. S.

Arbitrage Rail—Reporting Transactions—Sub-Treasury Transfers.

I should like very much to be informed as to the following: (1) What is the "arbitrage rail" on the Exchange? (2) What is the process by which the transactions as made on the floor of the Exchange get on to the tape? (3) Do the U. S. Sub-treasuries transfer cash to other parts of the country for the banks and if so by what sort of arrangement? —M. J.

(1) The arbitrage rail is the part of the floor of the New York Stock Exchange where brokers who do an arbitrage business with London gather near telegraph and telephone instruments for the purpose of transacting arbitage business.

(2) Transactions on the floor of the New York Stock Exchange are recorded by reporters who stand near the post or crowd in which the transactions are being made and note them down as they occur. These memoranda are then handed to four telegraph operators stationed on the floor and representing the ticker companies. The transactions are telegraphed to a room in the upper part of the Stock Exchange and from there are sent out on the tape.

The Sub-treasury sometimes assists the banks in transferring cash from one city to another. For example, if the Sub-treasury in San Francisco had on hand more cash than was needed, while the Sub-treasury in New York had no unnecessary surplus of cash on hand, a New York bank desiring to ship currency to San Francisco might arrange to deposit cash with the New York Sub-treasury and have the San Francisco Sub-treasury pay out the cash there.

A Western Banker on the Currency Bill.

The writer is of the opinion that the forced investment required of National Banks is the most urgent to be eliminated at this time, because if that feature remains in the bill it certainly will require National Banks to abandon the National System and reorganize under some other law. If this feature is amended so as to leave the investment optional with the banks, giving them the right to invest only after examination of all conditions, it will leave the national banks to remain under their present organization. If national banks are thrown out of the system because they cannot afford to invest so much in the new system, the whole matter will be a failure, whereas if the forced investment is eliminated, I feel confident that all national banks will feel in duty bound to assist in making the law a success so far as they can with safety and proper management of their respective institutions.—An Oregon Banker.

Seasonal Changes.

In regard to elimination of seasonal changes, instead of taking each item separately, such as Loans to Deposits, Cash, Interest Rates, etc., for the composite banking graphic; and railway earnings, bank clearings (and possibly Iron production), etc., for the Composite Business Graphic, would it not be just as well to add the Index Numbers of the several items, strike an average, and then eliminate the seasonal variations from the average instead of from each separate item? This would save a lot of work, as only two tables need be kept—one for the banking graphic, and one for the business graphic, instead of one for each item.—C. J.

Wherever several items of statistics are to be combined into a single line on your graphic you can just as well make your calculations for elimination of seasonal changes from the combined figures, as from each class of statistics separately.

Loans and Deposits.

I should like to know where you get your figures for your excess loan-deposit chart as of your December issue. This chart, as I understand, is brought down to the 12th of November, 1913. My chart up to the above date shows excess of loans over deposits of $21,-732,000 on November 9, and $20,745,000 on October 5, 1913, whereas your chart shows an excess of deposits during those months. Could you tell me the reason for the wide disparity in your figures?—J. G.

To get a full understanding of the method by which the loan-deposit chart in "Market Outlook" is compiled, it would be best for you to read the chapters on the New York bank statement in our book entitled "Investing for Profit," which costs only $1.06 postpaid. After reading these chapters, if there is any point not clear to you, we shall be glad to explain further.

Interpreting Financial Conditions.

I am much interested in reading "Interpreting Financial Conditions," now running in The Magazine of Wall Street. In case, however, one intended to make practical use of the system outlined by you, it strikes me that it would be somewhat difficult for an individual (myself, for example) to gather the statistics and extend the graphics from time to time. With this question in mind, I wish to ask you whether or not you intend to furnish the information necessary to the extension for

the graphics from time to time. This is to say, is THE MAGAZINE OF WALL STREET going to publish the figures enabling this to be done or are you going to furnish same as a regular service at so much per month or per quarter?—S. W.

We hope to make use of some such plan as you suggest for keeping the graphics down to date. It is not likely, however, that we shall be able to do this until the series of articles is completed.

Statistics on Failures.

Am making up a chart of Business Failures, Total Liabilities, by months, and taking the figures from back numbers of your magazine, as given in "Essential Statistics Boiled Down." Will you kindly advise me how you obtain these figures—they do not appear to agree with tables of Bradstreet's or Dun's, which I have come across.

Is the chart on Total Liabilities, page 29, November, 1913, copy of MAGAZINE OF WALL STREET (illustrating G. C. Selden's article, "Effect of Commodity Prices on Business Failures") made up of the figures you publish each month in "Essential Statistics Boiled Down?"—A. T.

Most of the figures in our page entitled "Essential Statistics" are taken from the desk sheet published weekly by the Babson Statistical Organization. Their method of compiling business failures is evidently a little different from Bradstreet's or Dun's. There is no important difference, provided figures from the same source are used all the time in making comparisons.

Methods of Operating.

In the book I bought from you a few days ago, "Fourteen Methods of Operating," which is the best method? Will you explain the Tubbs method on page 101? Do you consider that method valuable?—W. A. H.

We consider all these methods of value, but no method is a substitute for judgment. You will find an article in the December issue of our magazine, entitled "Supplementing a Sign of Bull Moves," by Mr. Frank Tubbs, which sheds further light on the method of his which is included in our book. The idea brought out in that article is a valuable one, but of course you could not depend on that alone to insure success. It is a useful hint as to the condition of the market and is often of considerable aid in enabling the investor to form a sound judgment of the situation.

Trading Pointers.

J. W. R.—We are very glad that you have decided to quit jumping in and out of the market; you surely will go broke if you keep at it. There are only two ways in which you will be successful. The first is to follow "The Trend Letter" and pay no attention to minor fluctuations; the second is to quit trading altogether and study the market as you would study any other kind of a business. If you do this, the three best things for you to read are —"Studies in Tape Reading," "Studies in Stock Speculation," and more particularly, "Notes on Office Trading," which ran through two or three of our recent volumes. The latter will probably help you more to overcome your bad trading habits than anything we know of.

If we were in your place we would not spend any time in a brokerage office. When you make a trade, put your three-point stop on it and stay away. You hear too much gossip and get too many bad points; you also become confused. Now turn over a new leaf and see if you can't make the next year a very successful one; we do not like to have losers on our staff; especially as the advices we are sending you make a lot of money for other people.

Catching the Short Swings.

Dear Brother Wyckoff: I address you in these endearing terms because I love my hogs, sheep and cattle, and you. You and they make me money. The only thing I love that is expensive is my wife.

Have all your magazines bound, and I confess I read them more than the family Bible. After helping the boys do the chores in the morning, I read your magazine. While some of the articles are too deep for me, am sure to find some that I read carefully several times and then light my pipe and think it all out and write down the points for future use. Your tape reading articles were interesting and instructive, but how you smart tape readers can tell how the market is going and jump in and make a deal while I am filling my pipe is too fast for me.

Have figured out that the foundation of business is judgment. I take several magazines and papers and especially your TREND LETTER, which is the best of all. What I like about the TREND LETTER is that you use plain English and say what you think, so a person knows where he is at. Have received market letters that would say on first page "get in" and on second page, "get out," or say that all they can say is that they can't say anything. They might just as well say that if the market doesn't go up, it will go down.

I am an innocent lamb, living in a small farming town, one hundred miles from a ticker or broker, so I do not know a thing about the market until I read it in the evening papers.

While in the city last fall, I complained to my broker that I did not like wiring, as I would like to know the market when placing my order. He said, "Use the 'phone." I was surprised as I supposed they wanted all orders in writing. Have done quite a business over the 'phone, and last year all my deals have gone through straight and correct.

You know the general opinion among the farmers is that you Wall Street fellows are a bunch of crooks, rascals and robbers, still you do business with each other in the millions by sticking a finger in the air or a nod of the head. Why, I would not sell some of my honest farmer friends a hog unless I had it in writing, for fear of a row or lawsuit.

The reason I am writing you is to show you how little I know and the way in which

I am operating in order that you may criticize and make it better or tell me to cut it out. Have noticed that the market occasionally takes a move two or three points and back the same day. I cannot watch a ticker or blackboard. Suppose that I am bearish on Steel, believing that with falling business and prices the dividend will be passed or at least cut, so that Steel will sell at 40 before 70. So I am short 100 steel with 3 point stop on the big trend. How can I catch some of the short swings? Suppose I place an order to buy 100 Steel at 53, with stop loss at 52½; also put in order to sell 100 at 58 with stop at 59½. If my half point stop is caught, I am only out my half point and brokerage fee, and am sure the drop does not hurt me. I take the first profit I can, say about a point. If the market jumps the other way and I sell short at 58, that makes me 200 short. If the market declines again I do not take profit, as I am bearish, but reduce my stops to cash as soon as I can.

I am willing to buy the small Wall Street fellows a 50 cent cigar occasionally, but I be darned if I want to furnish them by the box. In other words, I do not want to lose my money. You have a lot of farmer friends like myself who take your magazine, who are not in close touch with the market, and want a simple method that will keep them from losing a bunch of money.—C. T. B.

If I were in your place, I would trade in 200 shares at the beginning of the campaign. Use 100 shares to represent your position for the long trend and the other hundred to trade on. You have doubtless noticed that after we start a campaign, you will frequently have 4 or 5 points profit in Steel and other stocks, and sometimes the market will move back close to the point where we started the operation. Now, one way to benefit by these swings is to cover your trading commitments at 4 or 5 points profit and wait for a rally of 2 or 3 points, then put it out again.

I would not advise going long of 100 if you are only short of 100 shares, because this puts you out of the market, no matter how you consider the trades. One of these days you will do this and see a further 10 or 20 point break.

Another way is to follow your trade down with a three point stop, for example: You sold 200 shares of Steel at 63 when we started our September campaign and your stop was at 66. You could have moved your stop down one point for every one point decline, and when you had 8 or 9 points profit, you could have covered 100 and put it out again at 58 or 59; as it is now, below 55, this would have shown you a good profit and you never could have lost your position on the short side, even though it broke straight down to 40. Try this method out and I think you will find that it will secure better results. Several months from now let me know how it works out.

From a South American Reader.

I have to thank you very much indeed for your trouble in procuring the missing numbers for my set of The Magazine of Wall Street. I have now the complete set, and if I could not replace them would not take ten dollars a volume for them. They form a veritable encyclopedia on investment securities, and I can turn to its pages whenever I am tired and find something of interest to refresh me. It is wonderful the amount of information you continue to include in its pages, and I do not see how it could be improved. Personally, perhaps I should like to see the graphic in "The Market Outlook" somewhat more detailed, but then other concerns charge $5 for a similar chart alone.—J. G.

Collateral Margin.

If short term notes are deposited as collateral for margin, in event of the broker's failure could they be recovered upon proper identification? Should these short term notes be indorsed over to the broker upon their being deposited as collateral for margin?—O. A.

When securities of any kind are deposited with your broker as collateral for margin, they have to be in negotiable form, as otherwise he would be unable to dispose of them in case your account should show a loss and you should fail to respond to his request to take up your collateral and replace it with cash. Ordinarily the broker has no occasion to ask you to do this, but of course circumstances might arise which would make it necessary and the idea of collateral security is to protect him from loss in case you should be unable, for any reason, to meet the loss on your trades.

The broker has no right to dispose of such collateral until he has given you notice, so as to afford you an opportunity of taking up your securities for cash, or of arranging to transfer your account and collateral to another broker. It is only when you fail to respond to such notice that the broker is authorized to sell your collateral. Hence, in case of the broker's failure, your collateral will be found in his possession unless he has fraudulently converted your securities to his own use. This he would naturally hesitate to do, as such fraud would be a criminal offense and would subject him to imprisonment if proved. If your securities are found in the broker's possession by the receiver when he takes charge in case of failure, you can recover your securities by identifying them (for which purpose you should retain a memorandum of the numbers of such certificates), and by paying to the receiver any debit balance which may at the time be standing against you on the broker's books.

We have published a number of articles on this subject in past issues of this magazine.

Dividend Yield in Bargain Indicator.

Have been a reader of your magazine for the past two or three years, and while writing wish to mention that it is the only one of the many I receive that I read thoroughly. It used to amuse me when you would welcome suggestions, as I thought the magazine about perfect, but I think one small item could be improved: Why not print the yield in connection with your

Bargain Indicator? I only deal in stocks outright, those that pay a good yield and have stood the hard knocks. When I receive your magazine the first thing I do is insert in pencil the yield on all stocks that look like above 5 per cent. or 6 per cent. yield. While being a small investor, I have met with good success by this method. —C. S.

We have adopted this suggestion beginning with this issue. Thank you.

Use of American and London Options.

Regarding the use of London options in lieu of stop orders on Trend Letter operations, I appreciate the force of what Mr. Wyckoff says as to the option being a "fixed charge." Of course it is, but does not the knowledge of being entirely secure all the time more than compensate for the cost? Again, if a stop order is put in the stock may just reach the stop and react, thereby automatically putting you out of the market, whereas with an option that would make no difference during the life of the option. Most of your Trend Letter campaigns do not last for a longer period than two months, I think.

Now, how would an American option operate? The longest they run is about sixty days, and are four points away from the market and cost $200, while London options are at the market plus interest on calls only, and are quoted at about $275 plus cables and commissions.

In using an American option you would have to deposit the difference between the figures called for on the option and the present market quotation. At the end of the life of the option you would lose that difference plus the cost of the option, whereas with the London option you would lose just the cost of your option.

For example, suppose a campaign started selling Steel short at 65. The *modus operandi* would be something like this. We would purchase a sixty-day call at 69, paying $200 for it, and deposit the difference, $400, with the broker. Now suppose that the market, instead of declining as expected, advanced, and at the end of the life of the option stood above the call price, the loss would be $200 for the cost of the option, and $400 cash deposited with the broker, as against, say, $275 and charges for the London option, or a difference of $300 in our favor.

Then, again, supposing at the beginning of the campaign instead of buying or selling short actual stocks, one purchased a London put or call, as the case might be, and then waited quietly till the market went his way, if it did. If he had purchased a put and the price of stock declined 4 or 5 points, he would purchase the stock in the open market against his option, and upon a reaction would sell out and have his option free again, or if it did not react he would at least have paid for his option. The only chance of loss would be if the stock advanced and remained above the option figure, during the entire life of the option, and of course you would have the opportunity of trading against it during the life of the option.

I would like to have Mr. Wyckoff's views upon this matter if it is not imposing upon him.—M. W.

The principal objection to your plan of using London options instead of stop orders on your Trend Letter transactions is this: Assuming that there were twelve campaigns in the course of the year and you bought an option for $275 at the beginning of each campaign, you would practically start the year with a certain loss of $3,300; if there were fifteen campaigns, your privileges would cost you $4,125.

No Trend Letter subscriber has ever had to face this amount of loss in a year, so that you would be handicapped at the very outset. Your principal objection to the stop loss order seems to be that the stock might just touch the stop price, then react. This is a rather poor reason for avoiding stop orders, the numerous advantages of which have been fully explained in many issues of the magazine.

We think you are misinformed regarding the cost of American privileges. There have been times when you could have bought these at from one to two points from the market price for $110 to $125 per 100 shares, such privileges running thirty days; for sixty-day privileges you might have to pay $200 or $225, and they might be a little farther from the market price.

We have no means of figuring how you might have come out had you operated with the protection of London privileges in the past year or two; nor can we estimate what the results would be for the next year, but our record shows that if you will follow our Trend Letter instructions exactly you will make more points profit than you lose, including the times when you are stopped out.

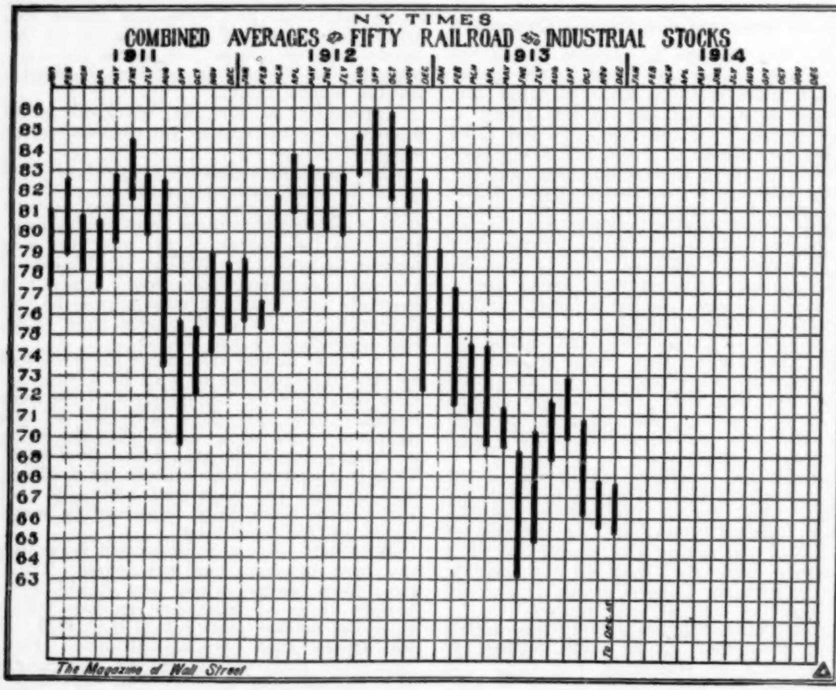
Dull Markets

TALKING about dull markets, it is interesting to note that during the twelve months to December 1 the market (i. e., the average of ten active "trading" stocks) swung up and down over a greater number of points than in the previous twelve months—to be exact, 11% more. I haven't myself, been able to see that there have been less trading opportunities than usual. I suppose, however, that our old friends, Tom, Dick and Harry, don't think a four or five point swing in a market of 300,000 shares can be worth while.—B. (*Author of "Notes on Office Trading"*).

Growing

OUR friends will be interested to know that the subscription list of this magazine has increased about 60 per cent. during the year 1913. In view of the general inactivity in investment circles, we consider this increase fairly satisfactory.

THE MAGAZINE OF WALL STREET.



Readers frequently ask to be referred to responsible brokerage houses. In making such a request, please state what amount you have for investment, or in what sized lots you wish to deal. Also state what large city is located most conveniently to you, or if you have any preference in this regard.

We refer our readers only to such houses as we would consider safe custodians of our own funds, but of course can take no further responsibility.

The Market Outlook

Some of the Factors Beneath the Surface of Current Events

By G. C. SELDEN

THE stock market is now, according to my diagnosis of the situation, passing through the period of secondary liquidation which customarily follows the first depression in which a prolonged bear market culminates.

The first decline is always due to scarcity of capital—"tight money," as the market phrases it. This affects strong securities and weak ones alike, for a high money rate knows no favorites in the financial field.

When the money market turns the corner, the best securities turn the corner with it, or at least within reasonable hailing distance of it. A stock which is reasonably sure of earning its dividends even during a period of depression, will soon respond to the influence of easier money by developing an upward tendency.

* * *

NOT so, however, with the stocks on which the continuance of dividends will be doubtful if depression should be prolonged. Experienced investors know that dullness of business will follow a period of scarcity of capital as darkness follows sunset. Available capital is the life-blood of business activity. When the supply becomes depleted, weakness gradually overtakes the whole body of industry.

Hence, after the money market turns the corner, the stocks of many companies whose position is relatively weak will continue to decline. There ensues a period of sorting out the sheep from the goats. The best stocks slowly gain in price, often so slowly that their gradual advance is hardly noticed. The poorest stocks continue their decline to new low figures. And the intermediate grades range themselves in between the best and the worst, according to their relative strength.

The course of the non-dividend payers is a little more erratic. In a general way their prices are supposed to be based on their prospects of getting dividends sooner or later, but a good many curious exceptions will be noted by the experienced student of the markets.

* * *

TO illustrate the working of the above principle, I have just been through the railroad list of one of the current manuals to see what stocks made lower prices in 1908 than in 1907. It will be remembered that the low point of the market as a whole was made in the fall of 1907. The panic brought general business to a pause, and dullness continued during 1908, with some improvement in the fall of that year.

The Dow-Jones average of 20 rails touched its low on November 21, 1907, at 81.4, while the lowest point of 1908 was on February 17 at 86.04. But many of the best stocks did not sell within 10 or in some cases 20 points as low in 1908 as in 1907.

The important stocks which sold lower in 1908 than in 1907 were as follows: Atchison (⅛ of a point lower only); Boston & Maine, Alton pref., Chicago Great Western, Big Four, Denver & Rio Grande, Erie, Minneapolis & St. Louis, Missouri, Kansas & Texas, Missouri Pacific, Rock Island, St. Louis & San Francisco, St. Louis Southwestern, Southern Railway, Texas & Pacific, Toledo, St. Louis & Western common, Wabash, Western Maryland, and Wheeling & Lake Erie.

It will be seen at once that all of these stocks except Atchison were of second-rate standing or lower. It is curious to observe the early notice of trouble in Boston & Maine which was thus given by its behavior in 1908.

* * *

OUT of the same list of stocks, those which have recently sold lower than the low prices of June and July are as follows: Atchison, Boston & Maine, Al-

ton pref., St. Paul, Big Four, Illinois Central, Missouri Pacific, N. Y. Central, New Haven, Pennsylvania, Panhandle, Rock Island, St. Louis Southwestern, and Southern Pacific.

In 1908 there were 19 stocks which reached new low points in this secondary liquidation. In 1913 there have so far been only 14, but doubtless more will be added in the first half of 1914. Seven stocks were included in both lists.

It is not easy to see why Atchison has been relatively weaker during the last six months than other stocks which appear to be in the same class, but in the case of each of the other 13 stocks mentioned we see at once that there have been adequate reasons for the further decline.

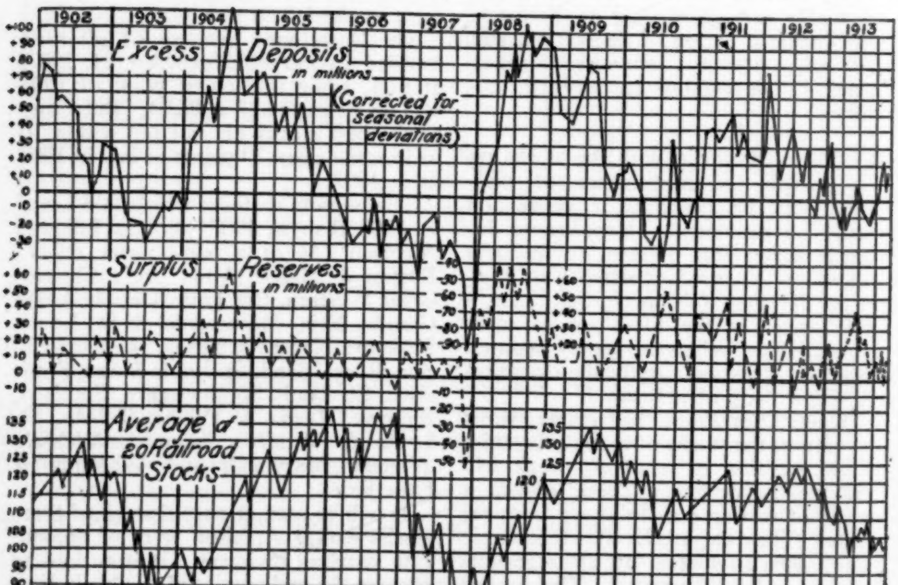
* * *

OF course I have no idea of implying that the conditions of 1908 will be repeated now—that would be altogether "too easy." Every year brings a new combination of circumstances. But the operation of certain broad principles may be traced in the investment markets under any and all circumstances.

One difference is that the world-wide exhaustion of capital now appears to be greater than in 1907-8. The panic of 1907 was financial rather than industrial. In the present depression the stock market has not suffered from any period of sharp distress in this country, although several minor panics have occurred on the stock exchanges of European nations, and a rather serious one in Vienna.

The logical result of this difference would seem to be that the rebound in financial markets may not be as rapid as in 1908. If it is true that supplies of capital are more depleted than at that time, it will take a little longer for a renewed accumulation.

Yet on the whole I am inclined to feel optimistic on this score. Modern industry has become wonderfully efficient. The machine piles up the capital today, where a generation ago it had to be painfully gathered together by hand power.



NOTE.—The above graphic shows (in millions of dollars) the general course of the excess deposits and surplus reserves, of New York clearinghouse *banks* (leaving out the trust companies), and the broad movements of standard railway stocks from 1902 to date. The line for excess deposits has been adjusted to a non-seasonal basis. The lines for surplus reserves and for the stock market are not thus modified. The *upper* zero line represents equality of loans and deposits. The *second* zero line represents reserves equal to 25% of deposits. The principles on which the graphic is based and the exact method of constructing it are fully explained in Mr. Selden's book entitled "Investing for Profit." (See advertisement elsewhere.)

And speculation has not been over-extended in this country for four or five years at least.

* * *

ANOTHER difference lies in new legislative policies. Will the new tariff tend to create a condition of "potential competition" from abroad, which will act as a brake on advancing the prices of our products heretofore protected by higher duties? If so, this might tend to slacken the pace of our recovery.

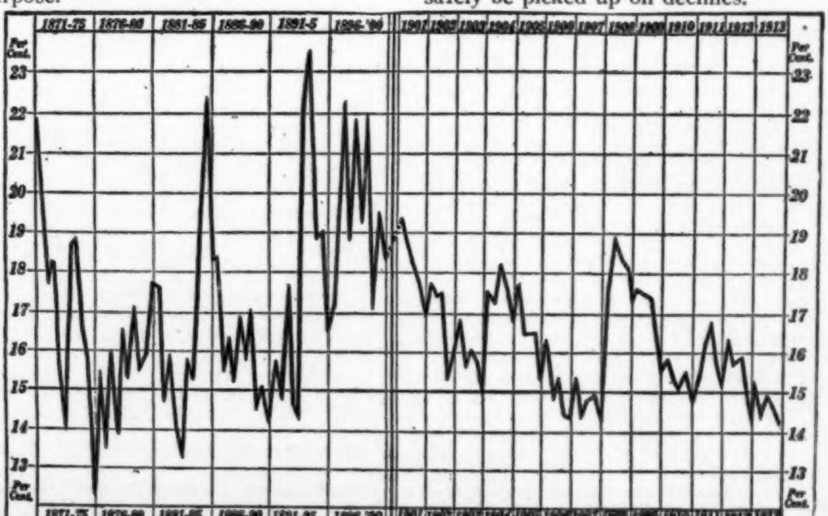
A still more important influence is found in the new Currency Bill, just about being passed. A leading banker (not associated with Stock Exchange interests, by the way) tells me that the immediate result of the bill will probably be the withdrawal of $25,000,000 to $50,000,000 from reserve centres. New York always bears the brunt of any such movement. But the administration is committed to the success of this plan, and undoubtedly the Treasury will bend every effort toward preventing any stringency during the transition stages. Under the new bill the power of the Federal Reserve Board and the Secretary of the Treasury will be so great that they should be able easily to accomplish this purpose.

The operation of the new banking scheme, when once it is under way, will unquestionably cause an expansion of credit; and such an expansion, while in progress, always has a strong bullish influence on both the stock market and general business. The final results may not be so satisfactory, as very clearly brought out by Senator Root in his recent notable speech.

* * *

OUR graphic of New York banking conditions continues to indicate the gradual accumulation of capital, without any important change from last month. The smaller graphic shows the per cent. of cash to loans of all National banks on October 21 last. At that date no general improvement was visible, the ratio standing at practically its lowest point. An advance in this per cent. is to be expected early in 1914, but the remoulding of the banking system of the country is likely to make the interpretation of banking statistics more difficult next year.

So far as the general investment situation is concerned, my feeling is that pessimism is being very much overdone. I believe that the best stocks, which show good earnings and have no special or peculiar difficulties ahead of them, may safely be picked up on declines.



PER CENT OF CASH TO LOANS, ALL NATIONAL BANKS.

From *The Annalist.*

The Situation Summarized

[While an attempt is here made to divide the important factors into favorable and unfavorable, this classification is for convenience only. It should be fully recognized that the same factor may have a bullish effect in one direction and bearish in another, or may be bullish in its immediate influence, but containing dangerous possibilities for the future. Also, it would be impossible to strike a balance in this way, as one bullish factor might be so important as to outweigh all bearish considerations, or vice versa.]

Favorable

GRADUAL easing of money rates is doubtless the most encouraging feature. Call money touched 10% late in November and 8% early in December, but these rates were temporary and due to special circumstances. Another flurry would be possible enough, but the tendency is plainly toward lower rates.

Bank of England ratio of reserve to liabilities is largest on record for this season of the year, but 5% rate will probably be continued until smooth sailing is assured.

German official bank rate has been reduced another half per cent., to 5%. This is taken to indicate that Germany's immense accumulations of gold are now big enough to satisfy the government for the present at any rate.

Commercial paper rate in this country likely to be maintained around present figure for perhaps another month, but all indications point to much lower rates next year.

Copper stocks still less than half normal, in spite of some increase. Export demand has recently shown some improvement, buyers being willing to take hold below 15 cents.

Advance in Eastern freight rates asked by roads certainly seems to be the logical result of the testimony brought out before the Interstate Commerce Commission. However, decision not expected for some time yet.

Labor situation much better. Few strikes now on, and many threatened strikes have been satisfactorily settled. Prospect that employers will not have to meet any further advance in labor costs for the present.

Currency bill itself can hardly be considered a bull factor for immediate future, but early passage of it will be a relief from uncertainty and will enable banking interests to find out where they stand.

Progress of liquidation in general business, while it has a depressing effect on sentiment, is, of course, tending to release money for investment. It is likely that this tendency may become more marked after turn of the year.

Liquidation in real estate seems to be beginning. As real estate is generally about the last department of business to liquidate, some encouragement for the future may be extracted from this.

Unfavorable

BUSINESS depression is the most noticeable characteristic of current news. Trade reports generally indicate a further decline in activity. There seems to be hardly any line that is exempt from the effect of the reaction.

Business sentiment all over the country is undoubtedly distrustful of the results of recent political policies at Washington. This tends to induce caution. It remains to be seen, of course, whether such distrust is warranted. The administration cannot be condemned on the strength of a few months of dullness in business.

Bank clearings show a very sharp falling off, reflecting decreased activity. Building operations also decline.

Railroad earnings are very small compared with last year. Big increase in idle cars, which is unusual at this season. However, heavy expenditures for maintenance are partly responsible for lower net earnings.

Increase in unemployment throughout the country. This, of course, reduces purchasing power of the people.

Steel trade depressed. Production far below capacity and unfilled orders still falling off. Rather more disposition, however, for producers to hold out stubbornly against further reductions in prices.

Coal trade shows up hardly any better than steel. Warm weather has checked anthracite, and industrial dullness keeps orders for soft coal realtively small.

Collapse in silver speculation abroad, largely as a result of the banking troubles in India. This has added to England's difficulties.

Postponement of French loan, from which much was hoped in the way of bringing out hoarded money and inactive capital.

Anti-trust message, which President Wilson will send to Congress later, is hardly expected to be helpful to business conditions.

November failures largest of any November for 20 years.

New Haven dividend discontinuance has had a depressing effect on sentiment.

Even the weather has been bearish. Cold weather has held off, tending to restrict retail trade.